

ANNUAL REPORT 1966

North
American
Life
And
Casualty Company



NORTH AMERICAN Life and Casualty Company
MINNEAPOLIS 3, MINNESOTA

APPLICATION FOR LIFE INSURANCE—PART I
(Individual or Applicant-Owner)

QUESTIONS
1 THROUGH 14
PERTAIN TO
PROPOSED INSURED

1. Name of Proposed Insured (Print First, Middle, Last)
JOHN M. DOE

2. Date of Birth 12/13/41 Actual Age 25 Place of Birth BOONE IOWA

3. Sex and Status Male ☒ Single ☐ Married ☐ Widowed ☐ Divorced ☐

4. Residence Address (Print Street, or RFD, City, Zone, State)
2037 DECATUR AVE. PARK RIDGE ILL 60068

5. Previous Residence SAME

6. Business Address 333 N. MICHIGAN AVE

7. Name of Employer SELF

8. Occupation SELF

9. Former PHOTO

10. Total Life 5

11. Have you ever been rated-up or down?
dates of

12. Have you ever been hospitalized by a company and are you now?

13. Is this insurance policy? Explain. If this is a

14. Have you flown with this company more than as a passenger?

15. Plan of Insurance

16. Riders:

☐ Ins'd Income \$
☐ Supp. Term \$
☐ Mtg. Prot. \$
☐ Family Income \$

☐ Wife Rider
☐ Guaranteed Insurability Option
☐ Accidental Death \$
☐ Disability Income \$

17. If the policy or rider applied for is to be given the right of survivorship

18. Include Automatic Premium Loan

19. Beneficiary (if married woman u Name

if living, otherwise to:

less otherwise stated, be right of survivorship. you retain right to cha

premiums Ann. ☐ S.A. ☐

Notices to: Proposed Insured Proposed Insured Owner at Address

Complete 23 through 25 Name of Owner

Owner's Address

20. If Owner is a cor

26. Additional Instr

The 71st Annual Report of the North American Life and Casualty Company



NALAC

NOTICE OF ANNUAL MEETING—The Annual Meeting of shareholders will be conducted Tuesday, May 2, 1967, at 10:00 a.m. (Central Standard Time) at North American Life and Casualty Company, 1750 Hennepin Ave., Minneapolis, Minn.

Financial Highlights

FOR THE YEARS ENDED DECEMBER 31

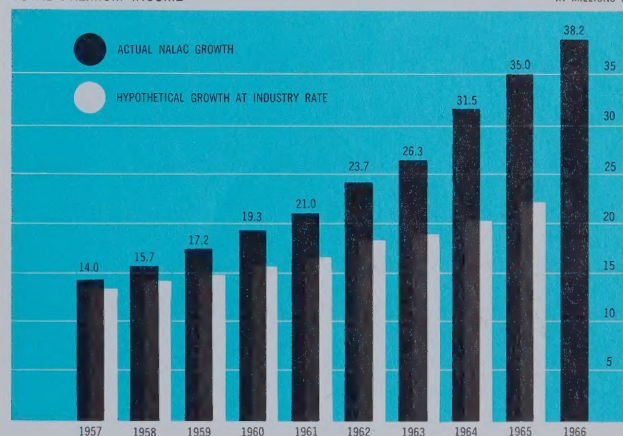
	1966	1965	PERCENTAGE CHANGE
Life Insurance in Force...	\$2,825,789,745	\$2,591,588,663	9.0%
Life Insurance Sales.....	462,335,579	604,610,369	(23.5)
Premium Income.....	38,188,629	34,898,534	9.4
Investment Income.....	4,103,742	3,616,784	13.5
Policyowners' Benefits....	18,292,902	16,795,082	8.9
Net Gain from Operations	2,402,415	1,398,337	71.8
Net Return on Investments.....	4.77%	4.69%	
Net Income and Realized Gains.....	2,305,236	1,540,113	49.7
Capital Funds.....	21,267,754	19,684,178	8.0
Total Assets.....	100,006,411	89,202,043	12.1
Statutory Earnings Per Share*	.50	.29	71.8
Adjusted Earnings Per Share*	.82	.94	(12.4)
Total Sales Offices.....	81	78	
Number of Shareholders..	16,500	16,500	
Number of Shares.....	4,831,662	4,831,662	

in 1965.

Report to Shareholders	3
NALAC Life and Health Coverage	10
NALAC Coverage Adds to Confident Living	11
Plans and Service Offices	12
How NALAC Serves North America	13
Balance Sheets	14
Statements of Income	16
Statements of Surplus	17
Notes to Financial Statement and Auditors' Report	18
NALAC Charts	19
Operating Statistics	20
Securities Owned	24
Board of Directors	28
Home Office Organization	Inside Back Cover

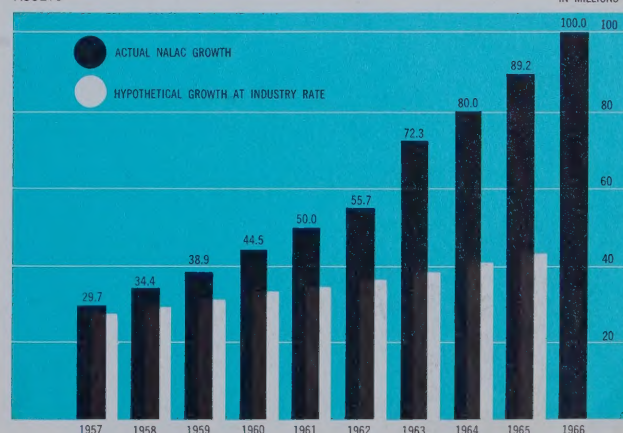
TOTAL PREMIUM INCOME

IN MILLIONS \$



ASSETS

IN MILLIONS \$



The 71st Annual Report of the North American Life and C



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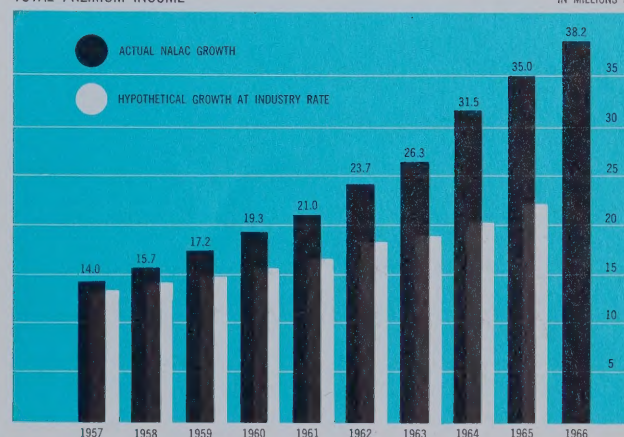
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Number of Shareholders..	16,500	16,500	
Number of Shares Outstanding.....	4,831,662	4,831,662	

*Reflects 4-for-3 stock distribution in 1965.

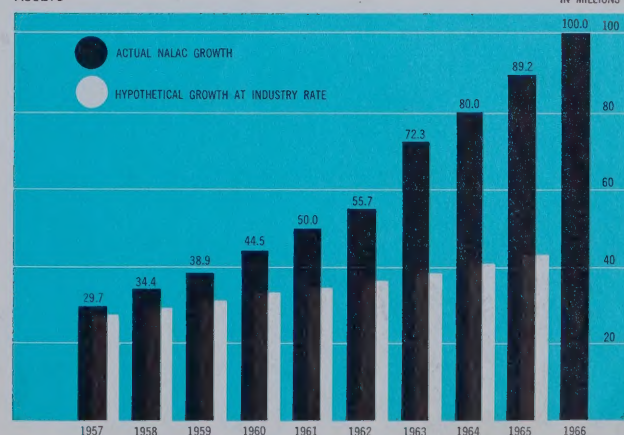
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IN MILLIONS \$



ASSETS

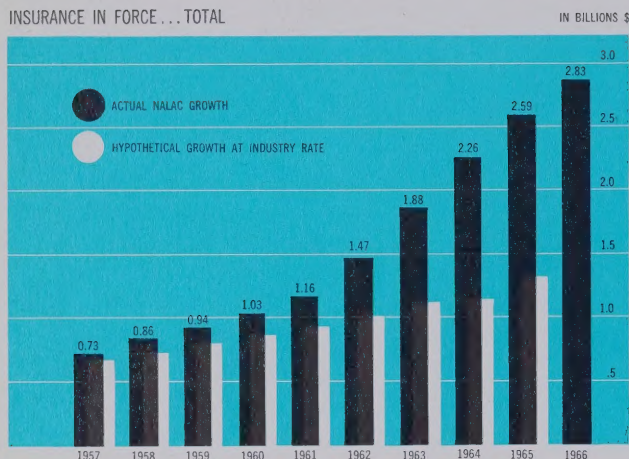
IN MILLIONS \$



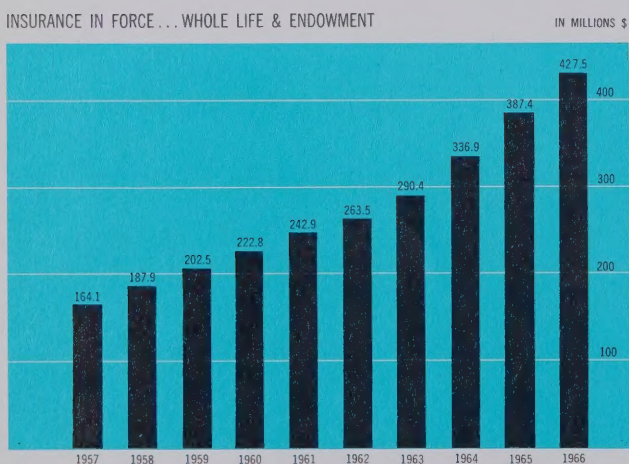
Contents

Report to Shareholders	3
NALAC Life and Health Coverage	10
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Sales and Service Offices	12
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Balance Sheets	14
Statements of Income	16
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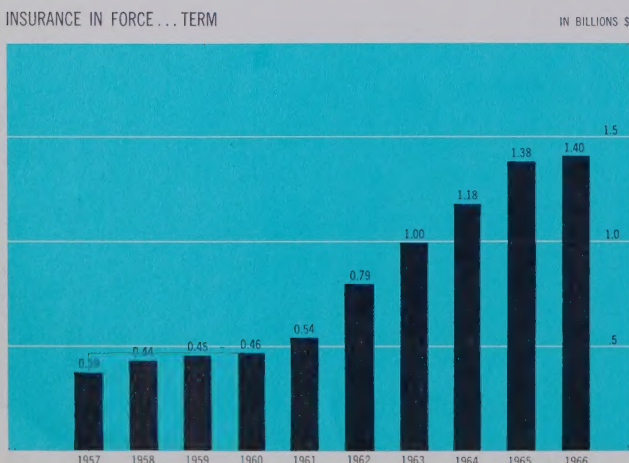
INSURANCE IN FORCE...TOTAL



INSURANCE IN FORCE...WHOLE LIFE & ENDOWMENT



INSURANCE IN FORCE...TERM



Term life insurance in force showed a modest \$24 million net gain, although mortgage money remained tight during much of the year, causing a slight slowdown in the sales of mortgage protection insurance. Group life, on the other hand, made an impressive gain over 1965, climbing 20 per cent to \$999,155,000. As a result of the gains made in 1966, NALAC virtually is assured of attaining \$3 billion of life insurance in force within the first half of 1967, just three years after achieving \$2 billion in force.

Sales For The Year

Total life insurance sales during 1966 were \$462.3 million, of which whole life sales were \$66.3 million, this latter a new record for NALAC. Approximately 60 per cent of our new business was initiated by our career sales organization and 40 per cent by our brokerage division. The decline in total new issues is attributable largely to the decrease in sales of term insurance, reflecting the nation-wide slump in new home construction. During the year, we concentrated on converting many of our term policies to higher quality permanent plans and also conducted careful reviews of our entire insurance portfolio. As a result, we instituted a number of changes and additions which we feel will bolster our standard lines of coverage.

Income And Expense Trends

Operating income, which includes all sources of revenue except realized capital gains, reached a record \$43,193,000 in 1966, 10 per cent higher than \$39,209,000 reported a year ago.

The largest single source of income—premiums—climbed to \$38.2 million. Partially responsible for this increase was the continuation of our high “persistency rates” as we refer to our policy lapse ratios. High persistency is one of the earmarks of our business, and NALAC’s first-year lapse ratios have been among the lowest in our category size in the industry for the past five years. We regard the first 13 months of the policy as the critical period, when our persistency efforts are most intense. The result, of course, has been to increase our renewal premium collections above anticipated levels.

Our term conversion program, another important factor, increased the proportion of permanent life insurance on the books. Our average premium per sale per thousand in 1966 was \$290, compared with \$244 in 1965, and only \$156 just five years ago.

The \$38.2 million in premium income in 1966 included:

- ... individual life, \$20,260,000, up 6 per cent;
- ... individual sickness and accident, \$3,581,000, up 1.7 per cent;
- ... group life, \$6,832,000, up 25.1 per cent, and
- ... group sickness and accident, \$7,516,000, up 10.4 per cent.

Net investment income rose 13 per cent to \$4.1 million from \$3.6 million in 1965, although realized capital gains declined in the “bear market” of 1966. Our net yield on investment increased

to 4.77 per cent, compared with 4.69 per cent in 1965 and an estimated industry average of 4.71 per cent. NALAC's entire investment portfolio is listed on pages 24 through 27.

Expenses during the year continued to follow a mixed trend and we have been quite pleased to be able to effect reductions by implementing new methods and procedures, several of which have already been described.

All expenses associated with the writing of new business must be met in the year the policy is placed on the books. Since such expenses substantially exceed first-year premiums on new policies, the balance of the costs must be met out of total income. Because of this insurance accounting practice, large volumes of new business usually lower the net gain from operations.

Administrative expense during 1966 increased slightly, as did direct sales expenses. Principally responsible for the higher expenses were start-up costs in our intensified efforts in pension and advanced underwriting programs and expenses resulting from our addition of offices in Boston, Los Angeles and Don Mills, a suburb of Toronto. The number of sales offices now serving policyowners in the United States and Canada is 81, compared with 32 ten years ago.

First-year sales compensation, as a percentage of first-year premium income, decreased because some of our commission expense is being transferred to what we call direct sales expense. This was caused by the increase in the number of salaried sales managers.

Income, before provision for income taxes, climbed 59 per cent to \$2,802,000 from \$1,758,000 a year earlier. Our total tax liability, therefore, increased to \$400,000, resulting in the \$2.4 million net gain from operations.

Statutory earnings for the year were 50 cents per share, a 72 per cent increase over the 29 cents per share reported at the end of 1965. Adjusted earnings, however, decreased 12 per cent to 82 cents per share, compared with 94 cents a year ago.

The lower adjusted earnings, which include statutory earnings, can be attributed only to the decline in sales. The purpose of adjusting earnings is to reflect approximate deferred acquisition expenses over the life of policies in force. According to a formula deemed appropriate for NALAC by security analysts, the adjustment adds \$20 per thousand for net increased permanent insurance in force; \$10 for term and \$3 for group, plus 35 per cent of the increase in the unearned premium reserve for sickness and accident coverage.

As mentioned previously, realized capital gains after taxes were \$24,000. Net income and realized gains totaled \$2,305,000, 50 per cent above the \$1,540,000 realized in 1965.

Dividends

NALAC's dividends of five cents per common share in 1966, the



BARTON C. BURNS, formerly tax counsel and associate general counsel, was named senior vice president in charge of operations in 1966.

NALAC's BOSTON BROKERAGE OFFICE, managed by Frank B. Gillis, was the 14th such office to be opened by the Company. From here, brokerage sales throughout all of upper New England are supervised.





RONALD E. RYAN, named senior actuary during the year, is flanked by Martin Fox, group actuary (left) and Herbert Allers, research actuary.

26th consecutive year in which such cash payments have been made, totaled \$241,000. The Company's dividend policy remains consistent with the traditional viewpoint in the insurance industry—that reinvested earnings provide the basis for growth by enabling us to build capital and surplus funds necessary to support rising business volume.

Capital and Surplus Funds

Capital and surplus funds, one sign of corporate strength, surpassed the \$20 million level for the first time, rising 9.2 per cent to \$20.4 million, compared with \$18.7 million in 1965, excluding mandatory security valuation reserves. The \$1.7 million increase reflects the net gain from operations after dividends and adjustments. These funds provide an additional form of security behind our obligations to policyowners.

Capitalization at year-end consisted of 4,831,662 shares of \$1.00 par common stock (out of 10,000,000 shares authorized), paid-in surplus of \$8,100,000, unrealized appreciation of securities totaling \$432,000 and earned surplus of \$7,075,000.

Assets

As stated earlier, NALAC's assets surpassed \$100 million for the first time, climbing 12 per cent, or \$10.8 million. The \$100,006,000 total compared with \$50 million in 1961 and \$30 million in 1957. The investment portfolio at year-end totaled \$87,912,000, of which 21 per cent consisted of bonds, 67 per cent of mortgages (42 per cent government-insured) and 6 per cent of common and preferred stock holdings.

Policy Loans

During most of 1966, as a result of the tight money supply, several companies experienced pressure caused by loans issued at relatively low interest rates to policyowners. Although the situation began to ease late in the year, at no time did NALAC find itself seriously affected since a high proportion of our policies carry a loan interest rate of 6 per cent. At the end of the year, policy loans represented 7.66 per cent of life reserves, compared with 7.21 per cent in 1965 and 7.19 per cent in 1964.

Although these loans, in fact, amount to partial pre-payment, it is gratifying that policyowners recognize their insurance as a means for solving financial problems during their life as well as a means of providing a guaranteed estate upon death.

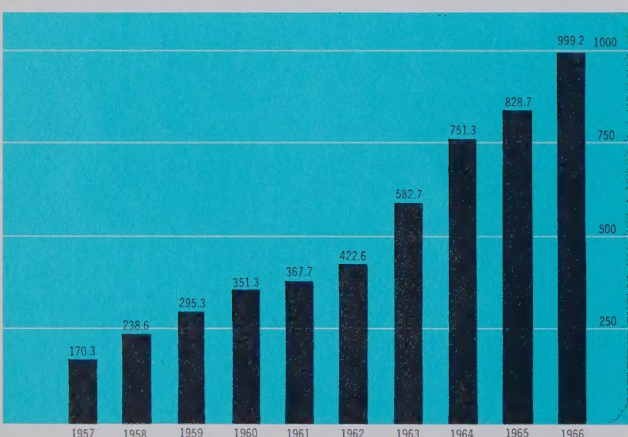
New Plans and Programs

To expand product mix and widen the range of coverage and benefits offered by the Company, we introduced or changed a number of our "Plans for Confident Living."

As announced in our report last year, NALAC is increasing its participation in corporate and association retirement insurance through the Pension and Advanced Underwriting Department. During its first year of operation, this new department sold more than \$7 million of new life insurance with a premium income

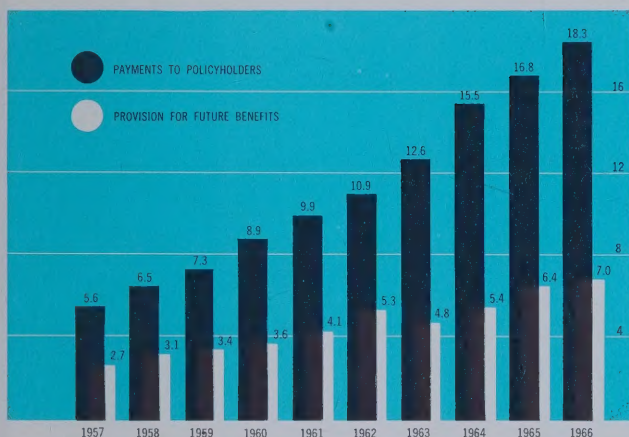
INSURANCE IN FORCE...GROUP

IN MILLIONS \$



BENEFITS PAID TO POLICYHOLDERS

IN MILLIONS \$



THE LOS ANGELES BRANCH OFFICE, one of the three opened by NALAC in 1966, also is headquarters for John J. Crane, vice president—agencies. The Company had 81 sales offices at the end of the year, compared with just 30 a decade ago.



averaging \$32 per thousand of insurance. In addition, single premium annuities of almost \$500,000 were sold. We are fully confident that our participation in professional and limited group pension and retirement insurance programs will make significant contributions to the Company's sustained growth and profitability.

Two high-quality plans, also introduced in 1966, are aimed at the extremely competitive business executive market. The President's 100 Plan, with a minimum issue of \$100,000, offers cash values from the first year for all but very young ages. The Executive 100 Term Series, also calling for \$100,000 minimums, provides attractive allowances for conversion to permanent plans.

Access to an entirely different market, youths under 18 years of age, has been gained by the Company's participation in the Canadian Scholarship Trust Foundation. This foundation is registered under the Company's Act of Canada as a non-profit educational organization. This association enables NALAC to write insurance in connection with educational savings programs. Our participation exposes the Company and its many benefits to a growth market of tremendous potential.

Finally, we made a number of procedural improvements designed to lower costs and improve service to present and potential policyowners:

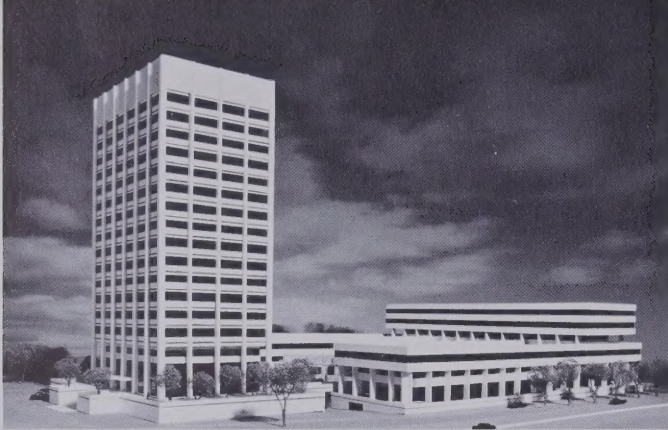
—Refinement of the Datanamic III Computer system sped the flow of data, improved our trend evaluations and expanded our Computer Audited Policy Survey. The CAPS program, after two years of operation, has enabled NALAC salesmen to counsel policyowners with complete data on estate administration, use of accumulated policy values and actual net cost, policy payment options and insurance program appraisals relative to changing protection needs. The computer system also permits us to project decades of experience, with a variety of assumptions, until we strike the right combination of marketability and profitability.

Early in 1967, NALAC will complete the transition to the most modern "third generation" computer complex by the addition of an IBM 360-20 to the IBM 360-40 installed in 1965. This will replace the last of the conventional punch card processing equipment and place all input and output data under computer control.

—Utilization of specialized telephone facilities enabled NALAC to contact holders of lapsed policies. More than 1,600 calls made throughout a widespread area directly from the Home Office helped in conserving a substantial amount of life insurance and freeing sales force time.

—Installation of proven direct mail methods, used in conjunction with our computer system, will help our marketing people make extremely accurate predictions of replies and resultant sales.

—Modern collection techniques, such as our Checkmaster program, improved policy persistency. At year-end, we had collected monthly premiums on more than 18,000 policies by drawing pre-authorized checks on the policyowners' accounts.



OLYMPIA SQUARE, in the Toronto suburb of Don Mills, became the home of NALAC's Canadian Head Office. The 15-story North American Tower places all Canadian administrative facilities under one roof for the first time.



GEORGE CELUSTA, director of pension and advanced underwriting, guides NALAC's increasingly important participation in corporate and association retirement insurance.

—Revision of NALAC policies provided policyowners with modern, easy-to-read documents.

Employee Benefits

NALAC participates in pension and profit-sharing plans for employees, both of which are funded by Company contributions. At the end of 1966, assets of the pension trust totaled \$1,600,000, and assets of the profit-sharing plan amounted to \$1,500,000, a substantial portion of which reflects value appreciation of funds invested in Company stock.

At the beginning of 1966, NALAC also made available to employees, field underwriters and managers, a stock accumulation plan which offers a convenient method of purchasing Company stock through regular payroll deductions. The plan provides the long-term advantage of dollar-cost averaging and enables employees to participate in the growth and prosperity of the Company.

Organization

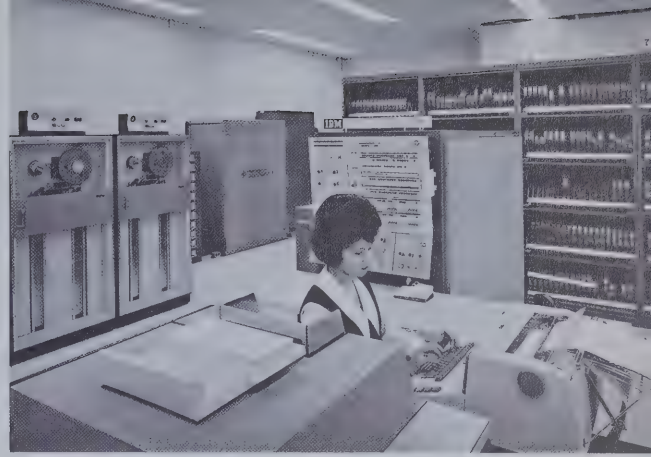
During 1966, the Company lost by retirement or resignation three of its senior officers: James E. Scholefield, president; Wilson Scott, vice president-actuary and Robert Rydman, vice president and general counsel. The Board of Directors elected H. P. Skoglund president, a position he occupied until 1965. Replacing Mr. Scott was Ronald E. Ryan and succeeding Mr. Rydman was Barton C. Burns, who is senior vice president in charge of operations. Previously, Mr. Burns was associate general counsel and tax counsel. Our ability to make replacements from within the Company is, indeed, tribute to our executive development program and our entire middle management group. We will continue to invest in recruiting and developing young potential executives.

Outlook

NALAC's successful performance in 1966 is the continuation of a favorable trend—a trend of growth and profitability while serving the insurance needs of over 1 million people in the United States and Canada. This report outlines steps already taken to fulfill the Company's growth and profitability goals. Your management is dedicated to sustaining this growth pattern in the years ahead.

The past year was one in which we made many adjustments and initiated new programs which will be carried out in 1967. We

COMPUTER PROGRAM, basis for our Computer Audited Policy Survey (CAPS), enables NALAC salesmen to counsel policyowners with complete information on estate administration.



are starting a complete job evaluation program for our Home Office employees—both in the United States and Canada. We believe this program will be reflected in a more effective job performance.

The Company has greater strength in its Home Office staff than at any time in its history. This has meant greater delegation of authority among executive and top management people and, in turn, a willingness by these persons to assume greater responsibility. The average age of the Company's top 50 men is 44½ years. These same 50 men average 18½ years of experience in the insurance business. Our senior management team, comprised of 11 individuals, averages 48½ years in age and 22 years of industry experience. The Company is counting on this management team to continue building a quality sales organization that will be one of the very best in the insurance industry.

Our primary objective will continue to be the best interests of the people we serve—our policyowners and our shareholders. Service is the primary commodity which a life or health insurance company has to offer the buying public.

We hope that you, as part owners of NALAC, will take advantage of the many services offered by your Company and recommend our insurance products to your friends and associates. We intend to continue to offer the finest insurance protection at the minimum cost, while maintaining an effective and profitable operation which will benefit those who invest in the Company.

We sincerely thank all of the personnel, shareholders and policyowners for their interest and participation in Company affairs.



FUTURE PLANS include installation of video inquiry stations to provide a visual image of computer-stored information. As a result, Company personnel will have swift access to records concerning policies in force, applications in process, sales reports and statistics.

A handwritten signature in dark ink, reading "H. P. Skoglund". The signature is stylized with a large, flowing "S" and "L".

H. P. Skoglund
Chairman of the Board
and President

March 31, 1967



NALAC Coverage Adds to Confident Living

For nearly three-quarters of a century, NALAC has provided policyowners with personal security for confident living by offering coverage with a number of distinctive features:

- Lower rates for larger purchases
- All premiums calculated on age at last birthday
- Automatic waiver of premium for disability in all policies
- Discounted rates for women
- Reduced health rates for people in less hazardous occupations
- Full coverage for infants on the first day of life or age zero
- Maximum disability coverage to \$800 per month
- Liberal underwriting for impaired (sub-standard) risks
- Group life covering as few as ten lives
- Health and life coverage through payroll deduction for as few as 5 employees
- Select plan health coverage to fit individual budgets
- Simpler, easy-to-read policy forms planned for electronic issue

UNITED STATES DIVISION

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Vice President—Agencies
Robert C. Franks
Staff Assistant
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SANTA BARBARA, CALIFORNIA

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SEATTLE, WASHINGTON

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Executive Vice President
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Charles C. Peck

Vice President—Sales

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Don Mills, Ontario

429-2200

CALGARY, ALBERTA

815 6th Street West

269-1188

DON MILLS, ONTARIO

Lawrence J. Pyman, C.L.U., Mgr.
797 Don Mills, Road, 9th Floor
429-0020

EDMONTON, ALBERTA

Dan Melvin, C.L.U., Mgr.
20 Commonwealth Building
9912 106 Street
424-0626

HAMILTON, ONTARIO

Wesley Lee, Mgr.
66 King Street West
525-3720

LONDON, ONTARIO

186 King Street, Suite 200
434-1601

MONTREAL, QUEBEC

Edward Zackon, Mgr.
Suite 3335, 1 Place Ville Marie
866-1145

OTTAWA, ONTARIO

Donald B. Hutcheson, Mgr.
77 Metcalfe Street, Suite 200
235-5106

PETERBOROUGH, ONTARIO

C. L. Charles-Dunne, Mgr.
263½ George Street North
745-0545

REGINA, SASKATCHEWAN

Mervin F. Tole, C.L.U., Mgr.
306 Financial Building
2101 Scarth Street
527-4655

SASKATOON, SASKATCHEWAN

Walter E. Petrowich, Mgr.
308 Financial Building
625-7225

TORONTO CENTRAL, ONTARIO

Joe Ouellette, Mgr.
412 Mount Pleasant Road
485-6525

VANCOUVER, BRITISH COLUMBIA

Peter C. Clegg, C.L.U., Mgr.
1701 West Broadway
736-6556

WESTERN ONTARIO

Willi Boos, Mgr.
London, Ontario

WILLOWDALE, ONTARIO

4889 Yonge Street
225-1101

WINNIPEG, MANITOBA

W. R. Coleman, C.L.U., Mgr.
402 Investors Building
280 Broadway Avenue
943-6424

REGIONAL GROUP OFFICES

CHICAGO, ILLINOIS

The Aspegren General Insurance
Agency, Inc.

Timothy McKeough, Group Mgr.

One North LaSalle Street

Suite 1255

372-0305

HONOLULU, HAWAII

Ala Moana Building, Suite 1019

960-261

LOS ANGELES, CALIFORNIA

Michael J. Cosley, District Group Manager

3960 Wilshire Boulevard

381-6051

MINNEAPOLIS, MINNESOTA

J. B. "Bill" Clifford, Regional Group Manager

Minneapolis Group Office

John Garman, District Group Manager

5616 Olson Memorial Highway

Northstar

Paul White, District Group Manager

1100 Cargill Building

377-5511

SAN FRANCISCO, CALIFORNIA

Charles R. Thomison, Regional Group Manager

1255 Post Street, Suite 1005

776-8838

TORONTO, ONTARIO, CANADA

Charles E. Lapp, Director of

Group Ins.—Canada

Thomas S. Bateman,

Canadian Group Supv.

797 Don Mills Rd.

Suite 1500, North American Tower

Don Mills, Ontario

429-2200

BROKERAGE DIVISION

Eugene L. Reichel

Vice President—Brokerage

1750 Hennepin Avenue

Minneapolis, Minnesota 55403

377-5511

Vik Ronningen

Director—Brokerage

1750 Hennepin Avenue

Minneapolis, Minnesota 55403

377-5511

ATLANTA, GEORGIA

Douglas W. Moore, Manager

Fred T. Gillespie, Brok. Supervisor

Russell Vennes, Brok. Supervisor

1140 Bank of Georgia Building

34 Peachtree Street, N.E.

Atlanta, Georgia 30303

688-8136

Sales and Service Offices

BEVERLY HILLS, CALIFORNIA
 Patrick A. Paige, C.L.U., Manager
 Richard Hill, Brok. Supervisor
 9777 Wilshire Boulevard, Suite 715
 Beverly Hills, California 90212
 274-7691

BOSTON
 Frank B. Gillis, Manager
 1117 State Street Bank Building
 Boston, Massachusetts 02110
 426-9665

CHICAGO, ILLINOIS
 The Aspegren General Insurance Agency, Inc.
 Brokerage Department:
 Richard T. Brown, Director of Brokerage
 One North LaSalle Street
 Suite 1225
 Chicago, Illinois 60602
 372-0305

INDIANAPOLIS, INDIANA
 The Aspegren Agency Brokerage Department:
 James Sullivan, Brokerage Manager
 614 Merchants Bank Building
 Indianapolis, Indiana 46204
 632-2632

CHARLOTTE, NORTH CAROLINA
 Underwriters Services, Inc.
 500 E. Morehead Street, Suite 202
 Charlotte, North Carolina 28202
 332-6139

CHATTANOOGA, TENNESSEE
 Profit Plans, Inc.
 Bob Hopper, C.L.U.
 615 Houston Street
 Chattanooga, Tennessee 37403
 267-9729

CINCINNATI, OHIO
 Earls Brothers
 Erwin C. Buehler, Brokerage Manager
 509 Gas & Electric Building
 139 East Fourth Street
 Cincinnati, Ohio 45202
 621-3400

CLEVELAND, OHIO
 Robert F. Mapes, Manager
 538 Union Commerce Building
 Cleveland, Ohio 44115
 241-0100

DALLAS, TEXAS
 Financial Advisory Clinic
 Bob Sargent, Brokerage Manager
 1306 Hartford Building
 Dallas, Texas 75201
 748-9996

DETROIT, MICHIGAN
 Frank L. Mumford, Jr., Manager
 17700 Northland Park Court
 Southfield, Michigan 48075
 444-4373

HOUSTON, TEXAS
 Business Plans, Inc.
 P. O. Box 13199
 1937 West Gray
 Houston, Texas
 528-3431

LOS ANGELES, CALIFORNIA
 Thomas C. Albertson, Manager
 John Coughlin, Assistant Manager
 Gary L. Jennison, Brok. Supervisor
 3350 Wilshire Boulevard
 Suite 728, Texaco Building
 Los Angeles, California 90005
 382-2101

HOW NALAC SERVES NORTH AMERICA



MEMPHIS, TENNESSEE
 Dunn-Lemly-Sizer
 1309 Poplar Avenue
 Memphis, Tennessee 38104
 278-0411

MIAMI, FLORIDA
 Charles C. Cox, C.L.U., Manager
 1393 S.W. First Street, Suite 410
 Miami, Florida 33135
 373-5729

NASHVILLE, TENNESSEE
 Dunn-Lemly-Sizer
 800 Sudekum Building
 Nashville, Tennessee 37912
 242-3331

NEWARK, NEW JERSEY
 John Alvigi, Jr., C.L.U., Manager
 Robert Salvesen, Brok. Supervisor
 550 Broad Street, Suite 1201
 Newark, New Jersey 07102
 622-1750

OKLAHOMA CITY, OKLAHOMA
 Atlee I. Beagle Associates
 5th Floor City National Bank Bldg.
 Oklahoma City, Oklahoma 73102
 235-3676

OMAHA, NEBRASKA
 Robert L. Gilmore, Manager
 551 Continental Building
 209 So. 19th Street
 Omaha, Nebraska 68102
 346-9339

PHILADELPHIA, PENNSYLVANIA
 William H. Moffett, Manager
 Two Penn Center, Suite 1809
 Philadelphia, Pennsylvania 19102
 567-4110

PHOENIX, ARIZONA
 Paul M. Sims, Manager
 Del E. Webb TowneHouse Tower
 110 West Clarendon, Suite 1759
 Phoenix, Arizona 85013
 277-5721

PITTSBURGH, PENNSYLVANIA
 T. Joseph Feeney, Jr., Manager
 Gateway Towers, Suite 225
 Pittsburgh, Pennsylvania 15222
 261-2700

SAN FRANCISCO, CALIFORNIA
 B. R. Franklin, Manager
 Edward A. Marshall, Assistant Manager
 Francis Schulke, Brok. Supervisor
 111 Sutter Street, Suite 424
 San Francisco, California 94104
 982-5893

WASHINGTON, D.C.
 Floyd L. Tucker, Manager
 Brawner Building, Suite 214
 888 17th Street N.E.
 Washington, D.C. 20006
 298-9230

Admitted Assets

	1966	1965
CASH.....	\$ 1,482,971	\$ 1,085,520
BONDS, at amortized cost which approximates market:		
U.S. Government.....	\$ 392,545	\$ 397,148
Canadian Government.....	214,321	214,297
State, municipal and special revenue.....	6,006,384	5,341,938
Canadian provincial and municipal.....	7,611,995	7,790,724
Public utility, industrial and railroad.....	3,938,349	4,020,295
Total bonds.....	\$ 18,163,594	\$17,764,402
STOCKS:		
Preferred, substantially at cost, market \$1,624,467 in 1966 and \$1,622,501 in 1965.....	\$ 1,830,315	\$ 1,625,879
Common, at market, cost \$2,765,473 in 1966 and \$1,362,570 in 1965.....	3,192,249	2,048,129
Total stocks.....	\$ 5,022,564	\$ 3,674,008
MORTGAGE LOANS:		
U.S. Government insured.....	\$ 24,849,099	\$26,310,934
Other, property located in—		
United States.....	30,922,837	22,449,267
Canada.....	2,992,056	2,474,152
Total mortgage loans.....	\$ 58,763,992	\$51,234,353
POLICY LOANS.....	\$ 4,824,715	\$ 4,057,246
COLLATERAL LOANS.....	\$ 1,137,000	\$ 987,000
HOME OFFICE BUILDING, OTHER REAL ESTATE AND EQUIPMENT, substantially at cost, less depreciation of \$1,057,144 in 1966 and \$846,911 in 1965.....	\$ 5,090,945	\$ 5,299,464
(Less):		
Mortgage on Home Office Building, payable \$33,333 annually to 1977, \$500,000 then due.....	(866,666)	(900,000)
Mortgages on other real estate.....	(42,629)	(43,917)
Total.....	\$ 4,181,650	\$ 4,355,547
PREMIUMS DUE AND DEFERRED.....	\$ 5,683,030	\$ 5,419,490
INVESTMENT INCOME RECEIVABLE.....	746,895	624,477
	<u>\$100,006,411</u>	<u>\$89,202,043</u>

The accompanying notes to financial statements are an integral part of these balance sheets.

DECEMBER 31, 1966 AND 1965

Liabilities, Capital Stock and Surplus

LIABILITIES:

Policy reserves—

Life.....	\$ 63,018,123	\$56,305,653
Sickness and accident.....	4,475,814	4,142,904
Total policy reserves.....	<u>\$ 67,493,937</u>	<u>\$60,448,557</u>

Policy and contract claims.....	3,496,854	3,081,705
Supplementary contracts without life contingencies.....	2,047,115	1,757,822
Premium deposit funds and premiums received in advance..	1,377,579	1,267,908
Accrued commissions and expenses.....	1,049,035	1,005,441
Reserves for taxes, including United States and Canadian income taxes of \$521,858 in 1966 and \$467,321 in 1965..	1,213,087	1,183,656
Notes payable, 4½%.....	1,155,000	—
Other liabilities.....	906,050	772,776
Total liabilities.....	<u>\$ 78,738,657</u>	<u>\$69,517,865</u>

MANDATORY SECURITY VALUATION RESERVE.....	<u>\$ 828,640</u>	<u>\$ 969,162</u>
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CAPITAL STOCK AND SURPLUS (Notes 1, 2 and 3):

Common stock—\$1 par value per share, 10,000,000 shares authorized, 4,831,662 shares outstanding.....	\$ 4,831,662	\$ 4,831,662
Surplus, per accompanying statements—		
Paid-in surplus.....	8,100,423	8,100,423
Unrealized appreciation of securities.....	431,762	695,545
Earned surplus.....	7,075,267	5,087,386
Total capital stock and surplus.....	<u>\$ 20,439,114</u>	<u>\$18,715,016</u>
	<u>\$100,006,411</u>	<u>\$89,202,043</u>

The accompanying notes to financial statements are an integral part of these balance sheets.

Statements of Income

FOR THE YEARS ENDED DECEMBER 31

	1966	1965
INCOME:		
Premiums	\$38,188,629	\$34,898,534
Supplementary contracts	784,160	653,665
Interest, dividends, rents, mortgage commitment fees and other, net	4,220,090	3,656,660
Total income	<u>\$43,192,879</u>	<u>\$39,208,859</u>
BENEFITS AND EXPENSES:		
Policyowner benefits—		
Payments to policyowners	\$18,292,902	\$16,795,082
Provision for future benefits	6,996,995	6,361,661
Total policyowner benefits	<u>\$25,289,897</u>	<u>\$23,156,743</u>
Expenses—		
Commissions	\$ 6,781,975	\$ 6,882,658
General insurance expenses	7,311,860	6,514,926
Premiums and payroll taxes	1,006,732	896,195
Total expenses	<u>\$15,100,567</u>	<u>\$14,293,779</u>
Income before provision for income taxes	\$ 2,802,415	\$ 1,758,337
PROVISION FOR INCOME TAXES	<u>400,000</u>	<u>360,000</u>
NET GAIN FROM OPERATIONS, as reported in annual statement to insurance department	\$ 2,402,415	\$ 1,398,337
OTHER INCOME (EXPENSE):		
Adjustment for Canadian exchange losses	(121,354)	(6,104)
Realized capital gains, net of applicable income taxes of \$6,000 in 1966 and \$55,000 in 1965	<u>24,175</u>	<u>147,880</u>
NET INCOME (Note 1)	<u>\$ 2,305,236</u>	<u>\$ 1,540,113</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Surplus FOR THE YEARS ENDED DECEMBER 31

	1966	1965
PAID-IN SURPLUS:		
Balance at beginning of year	\$ 8,100,423	\$ 9,308,338
Transfer to common stock of par value of 1,207,915 additional shares issued in four for three stock split-up	—	(1,207,915)
Balance at end of year	<u>\$ 8,100,423</u>	<u>\$ 8,100,423</u>
UNREALIZED APPRECIATION OF SECURITIES:		
Balance at beginning of year	\$ 695,545	\$ 746,542
Change during the year	(263,783)	(50,997)
Balance at end of year	<u>\$ 431,762</u>	<u>\$ 695,545</u>
EARNED SURPLUS:		
Balance at beginning of year	<u>\$ 5,087,386</u>	<u>\$ 3,693,068</u>
Add (deduct):		
Net income, per accompanying statement	\$ 2,305,236	\$ 1,540,113
Change in mandatory security valuation reserve	140,522	(6,260)
Change in nonadmitted assets	(216,294)	41,652
Cash dividends to shareholders, 5¢ per share	(241,583)	(181,187)
Net change for the year	<u>\$ 1,987,881</u>	<u>\$ 1,394,318</u>
Balance at end of year	<u>\$ 7,075,267</u>	<u>\$ 5,087,386</u>

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

(1) BASIS OF FINANCIAL REPORTING:

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Minnesota. Such practices differ from those generally accepted accounting principles commonly followed by other types of enterprises in that:

(a) Commissions and other costs of acquiring new life business and similar costs related to earned sickness and accident premiums are charged to current operations as incurred instead of being amortized over the periods to be benefited. The company uses modified preliminary term methods of computing reserves, which give partial consideration to these costs.

(b) Certain assets designated as "non-admitted assets," principally furniture and equipment (net of depreciation provided) and agents' balances (net of collection losses charged to income), have been excluded from the accompanying balance sheets and are charged to earned surplus.

(c) The company uses modified preliminary term methods for computing life policy reserves for book purposes. Life policy reserves for tax purposes have been determined using net level premium methods, which reflect a more rapid rate of policy reserve accumulation. Deferred income taxes are not provided on the additional deduction claimed for tax purposes.

While the aggregate net effect of such variances on the financial statements has not been determined, in the case of this company such differences tend to reduce net income and earned surplus.

(2) FEDERAL INCOME TAXES:

Earned surplus at December 31, 1966, includes \$2,850,000 which, under provisions of the Life Insurance Company Income Tax Act of 1959, is defined as "policyholders' surplus" and is not subject to current income tax. The amounts of such "policyholders' surplus" may be subject to income tax at then current rates under certain conditions, including certain cash distributions to shareholders.

(3) STOCK OPTIONS:

An officer of the company has been granted an option to purchase 200,000 shares of the company's common stock at a price of \$7.775 per share. This option expires August 9, 1967.

(4) LEASE COMMITMENTS:

Sales and service offices and equipment are leased in various localities, generally on a short-term basis, at annual rentals of approximately \$456,000 for 1967. The company has also leased space for its Canadian Head Office to 2001 at annual rentals of \$56,000.

(5) PENSION PLANS:

The company has several pension plans covering substantially all of its employees and field underwriters, including employees in Canada. The employee pension plans are non-contributory. Field underwriters may contribute up to 5% of their earnings to the pension trust. The company provides currently an amount equal to the contributions of the field underwriters. The total pension expense for 1966 was approximately \$152,000, which includes, as to certain plans, amortization of prior service cost over a ten year period. The company's policy is to fund pension cost accrued.

Auditors' Report

ARTHUR ANDERSEN & Co.

*To the Shareholders and Directors of
North American Life and Casualty Company:*

We have examined the balance sheet of NORTH AMERICAN LIFE AND CASUALTY COMPANY (a Minnesota corporation) as of December 31, 1966, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

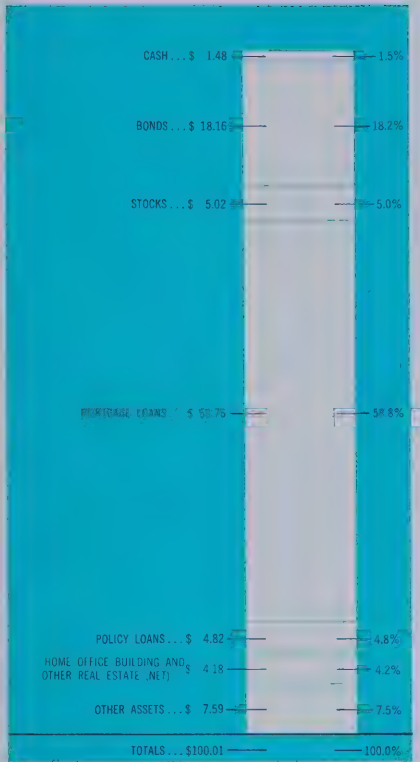
These financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Minnesota, which are designed primarily to demonstrate ability to meet claims of policyholders. These practices differ in certain respects (as set forth in Note 1) from generally accepted accounting principles commonly applied in the preparation of financial statements by other types of enterprises.

In our opinion, the accompanying financial statements present fairly the admitted assets, liabilities, capital stock and surplus of North American Life and Casualty Company as of December 31, 1966, and the results of its operations and changes in surplus for the year then ended, in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Minnesota, applied on a basis consistent with that of the preceding year.

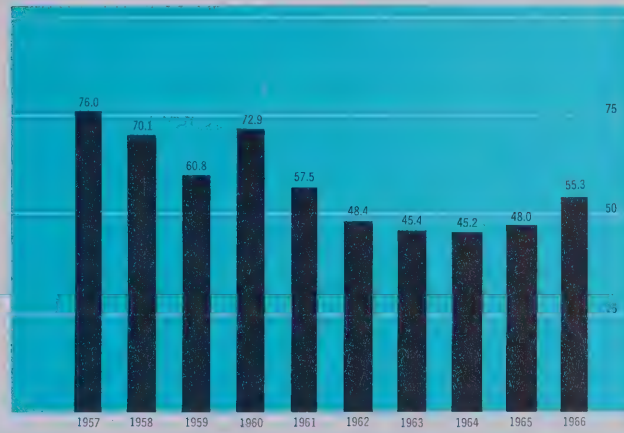
ARTHUR ANDERSEN & Co.

Minneapolis, Minnesota,
February 3, 1967.

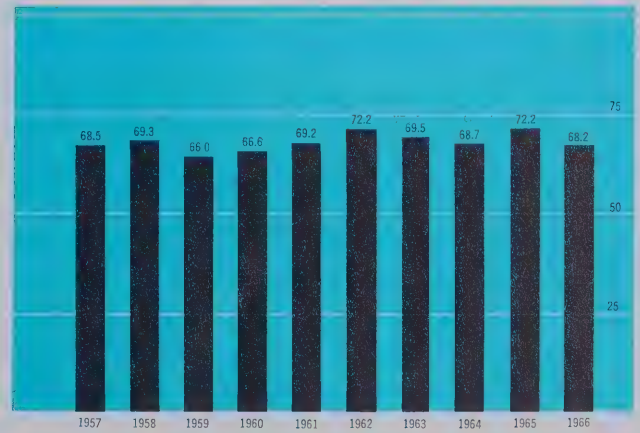
ASSETS—1966 (IN MILLIONS)



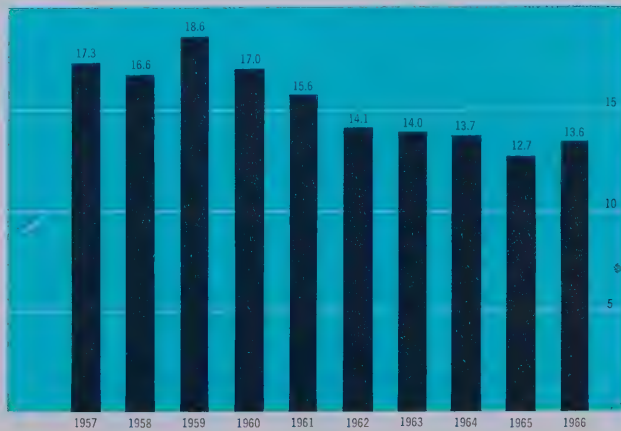
DIRECT SALES EXPENSES . . . as proportion of first-year billed premium



SALES COMPENSATION . . . as proportion of first-year billed premium



OTHER NEW BUSINESS & ADMINISTRATIVE EXPENSE . . . as proportion of total individual premium



INCOME STATEMENTS:

	1966	1965	1964
PREMIUM INCOME			
Individual Life.....	\$ 20,259,881	\$19,115,522	\$16,484,691
Individual S & A.....	3,580,875	3,522,597	3,330,668
Group Life.....	6,832,156	5,458,527	5,028,070
Group S & A.....	7,515,717	6,801,888	6,606,583
Total Premium Income.....	\$ 38,188,629	\$34,898,534	\$31,450,012
NET INVESTMENT INCOME.....	4,103,742	3,616,784	3,261,989
OTHER INCOME.....	900,508	693,541	445,235
Total Income.....	\$ 43,192,879	\$39,208,859	\$35,157,236
TOTAL POLICYOWNER BENEFITS.....	\$ 25,289,897	\$23,156,743	\$20,862,909
TOTAL EXPENSE.....	15,100,567	14,293,779	13,224,055
PROVISION FOR (or refund of) INCOME TAXES.....	400,000	360,000	50,000
NET GAIN FROM OPERATIONS after Taxes.....	\$ 2,402,415	\$ 1,398,337	\$ 1,020,272
Refund and Adjustment of Prior Years Income Taxes	—	—	—
Canadian Exchange Gains (Losses).....	(121,354)	(6,104)	703
REALIZED GAINS after Taxes.....	24,175	147,880	181,076
NET INCOME AND REALIZED GAINS.....	\$ 2,305,236	\$ 1,540,113	\$ 1,202,051
STATUTORY EARNINGS PER SHARE*	\$.50	\$.29	\$.21
ADJUSTED EARNINGS PER SHARE*	.82	.94	.87

BALANCE SHEET ITEMS:

ASSETS			
Cash.....	\$ 1,482,971	\$ 1,085,520	\$ 1,809,101
Bonds.....	18,163,594	17,764,402	15,999,042
Stocks.....	5,022,564	3,674,008	2,742,488
Mortgage Loans.....	58,763,992	51,234,353	45,322,072
Policy Loans.....	4,824,715	4,057,246	3,614,596
Home Office Building, and Other Real Estate, Etc. (Net).....	4,181,650	4,355,547	4,224,980
Other Assets.....	7,566,925	7,030,967	6,314,436
Total Assets.....	\$100,006,411	\$89,202,043	\$80,026,715
LIABILITIES			
Policy Reserves.....	\$ 67,493,937	\$60,448,557	\$53,662,411
Other Liabilities.....	11,244,720	9,069,308	8,029,707
Capital Funds.....	21,267,754	19,684,178	18,334,597
Total Liabilities & Capital.....	\$100,006,411	\$89,202,043	\$80,026,715
NET RETURN ON INVESTMENTS.....	4.77%	4.69%	4.71%
ACTUAL TO REQUIRED INTEREST.....	198.4%	198.4%	200.1%
ACTUAL TO TABULAR MORTALITY.....	53.3%	46.5%	53.8%
NUMBER OF SALES OFFICES			
Regional Offices.....	1	1	2
Branch Offices.....	49	48	45
Brokerage Offices.....	26	24	20
Group Offices.....	5	5	5
Total Sales Offices.....	81	78	72
NUMBER OF SALARIED PERSONNEL			
Home Office Administration.....	328	320	312
Home Office Sales Administration.....	86	79	75
Branch Office Clerical.....	84	82	71
Total Salaried Personnel.....	498	481	458

*Reflects 4-for-3 stock distribution in 1965. Adjusted earnings calculated for the information of our shareholders on a basis frequently used by security analysts. See page 5.

Statistics...Part 1

FOR THE YEARS ENDED DECEMBER 31

1963	1962	1961	1960	1959	1958	1957
\$13,529,931	\$12,252,699	\$10,522,663	\$ 9,596,717	\$ 8,868,304	\$ 8,428,642	\$ 7,556,716
3,083,400	2,891,446	2,750,154	2,537,458	2,474,262	2,351,337	2,362,891
3,782,494	3,145,821	2,833,898	2,598,321	2,230,752	1,740,596	1,260,062
5,895,263	5,397,684	4,855,948	4,532,517	3,607,764	3,206,816	2,797,133
\$26,291,088	\$23,687,650	\$20,962,663	\$19,265,013	\$17,181,082	\$15,727,391	\$13,976,802
2,756,073	2,230,445	1,979,400	1,677,214	1,428,838	1,175,254	1,012,850
247,404	264,182	458,170	380,485	306,701	203,653	147,813
\$29,294,565	\$26,182,277	\$23,400,233	\$21,322,712	\$18,916,621	\$17,106,298	\$15,137,465
\$17,308,305	\$16,245,627	\$14,064,037	\$12,472,013	\$10,705,812	\$ 9,624,872	\$ 8,371,635
11,030,883	9,607,426	8,392,583	7,927,626	7,078,213	6,757,262	5,820,778
—	(120,000)	182,511	(90,185)	112,003	155,374	97,951
\$ 955,377	\$ 449,224	\$ 761,102	\$ 1,013,258	\$ 1,020,593	\$ 568,790	\$ 847,101
—	(40,000)	40,000	(222,687)	77,437	146,337	(1,087)
(59,787)	(125,971)	(120,477)	—	—	—	—
279,018	71,298	68,070	135,222	17,065	13,833	4,236
\$ 1,174,608	\$ 354,551	\$ 748,695	\$ 925,793	\$ 1,115,095	\$ 728,960	\$ 850,250
\$.20	\$.09	\$.16	\$.21	\$.21	\$.12	\$.18
.86	.73	.44	.38	.34	.37	.43
\$ 951,409	\$ 1,153,845	\$ 1,059,499	\$ 709,368	\$ 459,431	\$ 735,097	\$ 347,134
14,039,482	12,382,239	10,966,495	9,284,833	7,690,504	6,302,556	5,367,392
2,491,956	2,157,936	1,784,370	977,474	830,697	671,628	517,501
42,100,508	29,624,376	27,197,438	25,075,565	22,650,471	19,931,008	18,019,795
3,271,682	2,892,215	2,533,317	2,139,048	1,681,857	1,444,075	1,248,442
3,009,771	2,594,318	2,109,840	2,054,672	2,080,641	2,079,650	1,473,593
6,444,420	4,932,047	4,394,277	4,254,998	3,526,506	3,230,768	2,749,394
\$72,309,228	\$55,736,976	\$50,045,236	\$44,495,958	\$38,920,107	\$34,394,782	\$29,723,251
\$48,351,482	\$43,400,748	\$37,746,953	\$33,682,698	\$29,765,709	\$26,387,026	\$22,959,850
6,502,502	5,377,013	5,593,483	4,960,919	4,255,661	4,017,262	3,371,938
17,455,244	6,959,215	6,704,800	5,852,341	4,898,737	3,990,494	3,391,463
\$72,309,228	\$55,736,976	\$50,045,236	\$44,495,958	\$38,920,107	\$34,394,782	\$29,723,251
4.58%	4.55%	4.47%	4.34%	4.22%	3.95%	3.84%
190.7%	172.2%	175.3%	161.7%	155.9%	139.1%	141.2%
39.2%	48.3%	46.6%	45.2%	37.4%	33.0%	28.0%
2	2	2	—	—	—	—
44	45	39	35	34	33	32
16	8	5	1	—	—	—
5	4	4	1	1	1	—
67	59	50	37	35	34	32
294	278	266	250	231	237	237
57	51	46	35	37	37	36
70	60	50	41	40	45	39
421	389	362	326	308	319	312

LIFE INSURANCE IN FORCE (In Thousands)	1966	1965	1964
WHOLE LIFE AND ENDOWMENT			
New Issues	\$ 66,256	\$ 64,624	\$ 57,652
Lapses and Surrenders, Less Reinstatements	36,845	28,430	25,290
Other Deductions (Net)	(10,635)	(14,341)	(14,103)
Increase in Inforce	40,046	50,535	46,465
In Force End of Year	427,464	387,418	336,883
TERM AND OTHER			
New Issues	266,868	342,253	380,079
Lapses and Surrenders, Less Reinstatements	163,096	161,708	130,424
Other Deductions (Net)	80,093	(19,362)	77,155
Increase in Inforce	23,679	199,907	172,500
In Force End of Year	1,399,171	1,375,492	1,175,585
GROUP			
New Issues	129,212	197,733	181,220
Lapses and Surrenders, Less Reinstatements	49,897	67,128	64,339
Other Deductions (Net)	(91,161)	53,264	(51,769)
Increase in Inforce	170,476	77,341	168,650
In Force End of Year	999,155	828,679	751,338
TOTAL ALL LINES			
New Issues	462,336	604,610	618,951
Lapses and Surrenders, Less Reinstatements	249,838	257,266	220,053
Other Deductions (Net)	(21,703)	19,561	11,283
Increase in Inforce	234,201	327,783	387,615
In Force End of Year	2,825,790	2,591,589	2,263,806
SICKNESS AND ACCIDENT PREMIUMS AND LOSSES			
Individual S&A Premiums Earned	\$3,580,875	\$3,522,596	\$3,330,669
Individual S&A Losses Incurred	1,741,297	1,777,606	1,560,700
Individual S&A Loss Ratio	48.6%	50.5%	46.9%
Group S&A Premiums Earned	\$7,515,717	\$6,801,889	\$6,606,583
Group S&A Losses Incurred	5,562,881	5,736,306	5,333,773
Group S&A Loss Ratio	74.0%	84.3%	80.7%
CANADIAN OPERATIONS (Extracted from Company Totals)			
Total Life Premium	\$3,271,031	\$2,811,701	\$2,781,550
Total S&A Premium	1,235,560	1,195,924	1,320,041
Net Investment Income	616,652	563,636	485,735
Net Return on Canadian Investments	5.53%	5.48%	5.40%
Insurance In Force Statistics (In Thousands)			
Total Life Insurance In Force	\$ 387,183	\$ 358,134	\$ 338,261
Total Life Insurance New Issues	80,178	72,546	62,801

Statistics...Part II

FOR THE YEARS ENDED DECEMBER 31

1963	1962	1961	1960	1959	1958	1957
\$ 51,743	\$ 43,178	\$ 43,972	\$ 42,971	\$ 36,041	\$ 41,931	\$ 39,165
21,283	20,571	20,659	20,112	19,378	16,944	13,042
3,584	1,996	3,140	2,638	2,023	1,199	1,411
26,876	20,611	20,173	20,221	14,640	23,788	24,712
290,418	263,542	242,931	222,758	202,537	187,897	164,109
378,346	352,905	166,495	97,157	81,611	108,685	110,608
109,766	80,615	62,993	62,324	56,212	54,712	41,572
51,758	30,871	18,046	21,970	14,498	11,297	6,493
216,822	241,419	85,456	12,863	10,901	42,676	62,543
1,003,085	786,263	544,844	459,388	446,525	435,624	392,948
134,063	65,616	10,164	38,837	38,046	55,034	29,808
41,187	24,516	18,653	14,554	11,221	10,100	7,368
(67,180)	(13,810)	(24,956)	(31,682)	(29,838)	(23,409)	(14,347)
160,056	54,910	16,467	55,965	56,663	68,343	36,787
582,688	422,632	367,722	351,255	295,290	238,627	170,284
564,152	461,699	220,631	178,965	155,698	205,650	179,581
172,236	125,702	102,305	96,990	86,811	81,756	61,982
(11,838)	19,057	(3,770)	(7,074)	(13,317)	(10,913)	(6,443)
403,754	316,940	122,096	89,049	82,204	134,807	124,042
1,876,191	1,472,437	1,155,497	1,033,401	944,352	862,148	727,341
\$3,083,400	\$2,891,446	\$2,750,154	\$2,537,458	\$2,474,262	\$2,351,337	\$2,362,891
1,585,817	1,430,655	1,235,464	1,221,859	1,190,217	1,195,500	1,288,882
51.4%	49.5%	44.9%	48.2%	48.1%	50.8%	54.5%
\$5,895,263	\$5,397,684	\$4,855,948	\$4,532,517	\$3,607,764	\$3,206,816	\$2,797,133
4,875,503	4,390,979	3,880,060	3,393,133	2,767,273	2,437,923	2,091,594
82.7%	81.3%	79.9%	74.9%	76.7%	76.0%	74.8%
\$2,509,247	\$2,372,364	\$2,199,361	\$2,157,873	\$1,929,828	\$1,539,465	\$1,153,409
1,231,542	1,251,136	1,232,084	1,628,252	1,700,984	2,015,161	1,810,604
432,101	343,747	271,181	201,314	147,149	108,824	80,757
5.35%	4.96%	4.79%	4.50%	4.31%	4.14%	3.96%
\$ 321,111	\$ 263,842	\$ 245,836	\$ 234,052	\$ 199,139	\$ 165,542	\$ 114,408
51,941	52,628	50,077	49,238	46,927	63,449	41,085

North American Life & Casualty Company

1750 HENNEPIN AVENUE, MINNEAPOLIS, MINNESOTA 55403

SECURITIES OWNED as of December 31, 1966

U.S. GOVERNMENT BONDS

	Rate	Maturity	Par Value
FHA Mutual Mtge. Ins. Fund, Series AA...	3	1981	\$ 3,250.00
FHA Mutual Mtge. Ins. Fund, Series AA...	3 1/4	1983	8,400.00
FHA Mutual Mtge. Ins. Fund, Series AA...	3 3/4	1982	14,150.00
FHA Mutual Mtge. Ins. Fund, Series AA...	3 3/4	1984	8,450.00
FHA Mutual Mortgage Ins. Fund...	3 3/4	1984	1,950.00
FHA Mutual Mtge. Ins. Fund, Series AA...	3 3/4	1983	10,100.00
FHA Mutual Mtge. Ins. Fund, Series AA...	3 3/4	1984	14,600.00
FHA Mutual Mtge. Ins. Fund, Series AA...	4	1984	14,100.00
FHA Mutual Mortgage Ins. Fund...	3 3/4	1984	15,800.00
United States Treasury...	4	1980	25,000.00
FHA Mutual Mortgage Ins. Fund...	4	1984	10,400.00
United States Treasury...	2 1/2	1972	75,000.00
FHA Mutual Mortgage Ins. Fund...	4	1984	1,700.00
United States Treasury Bonds of 1980...	3 1/2	1980	6,000.00
United States Treasury Bonds of 1998...	3 1/2	1998	50,000.00
United States Treasury C...	2 1/2	1972	135,000.00
Total U.S. Government Bonds...			\$ 393,900.00

CANADIAN GOVERNMENT BONDS

	Rate	Maturity	Par Value
Dominion of Canada...	2 3/4	1974	\$ 10,000.00
Government of Canada...	2 3/4	1968	50,000.00
Government of Canada...	3 1/4	1979	130,000.00
Government of Canada...	3 3/4	1998	25,000.00
Total Canadian Government Bonds...			\$ 215,000.00

CANADIAN PROVINCIAL BONDS

	Rate	Maturity	Par Value
Alberta Municipal Financing Corporation...	5 1/2	1983	\$ 25,000.00
Province of British Columbia Deb...	3	1969	20,000.00
British Columbia Elec. Co., Ltd. 1st Mtge...	5 1/2	1988	25,000.00
British Columbia Elec. Co., Ltd. Series AA...	4	1986	30,000.00
British Columbia Elec. Co., Ltd. Series AC...	4 1/2	1986	25,000.00
British Columbia Power Comm. S.F...	5	1992	25,000.00
British Columbia Greater Nanaimo Sewer & Drainage Dist...	6	1975	25,000.00
British Columbia Sch. Dist. #39 (Vancouver)...	5	1977	25,000.00
British Columbia Sch. Dist. #39 (Vancouver)...	5	1972-80	50,000.00
British Columbia Sch. Dist. #61 (Victoria)...	5	1975-76	25,000.00
Province of Manitoba Series 8G...	5 3/4	1981	20,000.00
Province of Manitoba S.F. Deb...	4 1/4	1970	25,000.00
Manitoba Hydro-Electric Bd. Ser. IG...	5	1977	25,000.00
Manitoba Hydro-Electric Series IP...	5 1/4	1983	25,000.00
Manitoba Hydro-Electric Series IT...	6	1982	50,000.00
Manitoba Telephone Commission Series IA...	5 1/2	1982	25,000.00
Province of New Brunswick Deb...	4	1971	10,000.00
Province of Newfoundland S.F. Deb...	5 1/2	1983	25,000.00
Province of Ontario...	4	1972	25,000.00
Province of Ontario...	4	1972	10,000.00
Province of Ontario...	4 1/2	1976	50,000.00
Province of Ontario...	5	1979	50,000.00
Province of Ontario...	5 1/2	1981	25,000.00
Ontario Hydro-Electric Power...	3	1973	10,000.00
Ontario Hydro-Electric Power...	3	1970	20,000.00
Ontario Hydro-Electric Power...	3 1/2	1979	30,000.00
Ontario Hydro-Electric Power...	3 1/2	1977	25,000.00
Ontario Hydro-Electric Power...	4	1976	25,000.00
Ontario Hydro-Electric Power...	4	1974	50,000.00
Ontario Hydro-Electric Power...	4 1/2	1974	25,000.00
Ontario Hydro-Electric Power...	4 3/4	1975	25,000.00
Ontario Hydro-Electric Power...	5	1977	25,000.00
Ontario Hydro-Electric Power...	4 3/4	1975	30,000.00
Ontario Hydro-Electric Power...	5	1977	20,000.00
Ontario Hydro-Electric Power...	4 1/2	1978	60,000.00
Ontario Hydro-Electric Power...	5 3/4	1979	25,000.00
Ontario Hydro-Electric Power...	5 1/2	1981	25,000.00
Ontario Hydro-Electric Power...	4 3/4	1975	125,000.00
Province of Quebec...	2 7/8	1971	30,000.00
Province of Quebec...	5 1/2	1990	50,000.00
Quebec Hydro-Electric Series AB...	5 1/2	1985	25,000.00
Quebec Hydro-Electric Series AC...	5 1/2	1985	70,000.00
Quebec Hydro-Electric Series AF...	5 3/4	1984	25,000.00
Quebec Hydro-Electric Series AN...	5 1/2	1984	25,000.00
Quebec Hydro-Electric Com. Sink. Fd. Deb...	6	1979	25,000.00
Province of Saskatchewan...	5 3/4	1979	40,000.00
Quebec Hydro-Electric Series AA...	5 1/2	1983	50,000.00
Province of Saskatchewan...	5 1/2	1982	25,000.00
Total Canadian Provincial Bonds...			\$1,525,000.00

U.S. STATE AND MUNICIPAL BONDS

	Rate	Maturity	Par Value
California:			
Carlsbad Municipal Water Dist., San Diego Co.	5	1991	\$ 25,000.00
Campbell Union School District...	1/20	1990	50,000.00
El Dorado County Sanitation...	4 1/4	1987	30,000.00
Los Alisos Water District...	5 1/2	1986	25,000.00
Midway City Sanitary Dist. Gen. Obl...	4 1/4	1983	10,000.00
Rainbow Mun. Water Dist., San Diego Co.	4 1/4	1980,84	15,000.00

Ramona, Municipal Water District...	5	1976	25,000.00
Santa Rosa Library...	1/20	1995	60,000.00
Santa Rosa, Munic. Imp...	.05	1996	40,000.00
Valley Center Water District...	4	1992	25,000.00
Veterans' Bonds, Series CC...	7 1/4	1988	50,000.00
Woodland Sanitary Sewer & Storm Dr...	1.00	1985	30,000.00
Colorado:			
Cherokee Water District...	5	1979	50,000.00
Georgia:			
Clayton County School District...	1/20	1993	90,000.00
Kentucky:			
Highway Bond...	1/2	1990	150,000.00
Louisiana:			
Jefferson Parish E. Bank Cons. Sew. Dist...	1/10	1992	100,000.00
Rapides Parish Pub. Improvement...	1/10	1983	50,000.00
Maryland:			
Montgomery County Series I & O...	1/10	1988	100,000.00
Wash. Suburban San. Dist. Series XXX...	3	1981	15,000.00
Wash. Suburban San. Dist. Gen. Constr...	2 3/4	1985	25,000.00
Michigan:			
Allegan and Bary Counties Schools...	1/2	1991	45,000.00
Brighton Area, Livingston County...	1/2	1993	90,000.00
Clawson School District...	1/2	1989	100,000.00
Coloma Community Schools...	1/10	1990	60,000.00
Fremont Public Schools...	1/2	1989	45,000.00
Kent County Sewer Dept...	1/20	1991,93	90,000.00
Macomb County Drainage Dist...	1/2	1992	150,000.00
Macomb County Drain Series A...	1/2	1994	45,000.00
Marion P.S., Osceola City...	1/2	1991	60,000.00
Niles P.S. School Distr. No. 60...	1/10	1990	120,000.00
Oakland County School Dist. #4...	1/10	1989,90	140,000.00
Oakland County Sewage Disp. System...	1/2	1992	150,000.00
Oakland City, Southfield Pub. Sch. Ser. II...	1/2	1991	110,000.00
Port Huron School Bldg. and Site...	1/10	1986	100,000.00
Royal Oak School Bldg. & Site...	1/2	1988	105,000.00
Wayne County Drainage...	1/2	1995	70,000.00
Wyoming Water System...	1/2	2003	150,000.00
Minnesota:			
Babbitt, St. Louis Co., Ind. Sch. Dist. #83...	4.90	1973	25,000.00
Balaton School District #46...	3.40	1970	10,000.00
Barrett Sewer...	4.20	1987,91	25,000.00
Belgrade Nursing Home...	4	1983,84	25,000.00
Belview Nursing Home...	4	1987	25,000.00
Bloomington Improvement...	3.80	1983	50,000.00
Bloomington School Dist. #271...	3.90	1983,87	90,000.00
Bloomington School Dist. #271...	3.90	1983,90	50,000.00
Bloomington School Dist. #271...	3.80	1987	25,000.00
Bloomington Perm. Imp. Rev. Ed...	3.60	1981	50,000.00
Brooklyn Center Imp. Bd. Series 3...	3	1979	30,000.00
Columbia Heights Ind. School Dist. #65...	3	1971,76	20,000.00
Crystal San. Sewer Improvement...	3.30	1967	5,000.00
Douglas & Pope Cts. Jt. Ind. Sch. Dist. #42...	4.80	1977,78	15,000.00
Duluth Municipal Arena-Auditorium...	1/10	1992,93	220,000.00
East Grand Forks...	3.90	1993-94	30,000.00
Hawley Improvement...	3.80	1984,86	30,000.00
Hennepin Co. Com. Sch. Dist. #118...	4.90	1972,73	30,000.00
Hennepin Co. Ind. Cons. Sch. Dist. #144...	3	1973,79	20,000.00
Hennepin Co. Ind. Sch. Dist. #12...	3.20	1973,77	20,000.00
Hennepin Co. Meadowbrook, Ind. Sch. Dist. #89...	5	1981	10,000.00
Herman Jt. Ind. Cons. Sch. Dist. #3...	3.90	1972-77	30,000.00
Hills Village, Sewer...	3.90	1984-86	30,000.00
Howard Lake Village Improv...	3.90	1985-86	40,000.00
Long Prairie Ind. Cons. Sch. Dist. #11...	3.80	1974	5,000.00
Long Prairie Ind. Cons. Sch. Dist. #11...	3.90	1975	9,000.00
Mazeppa Jt. Ind. Sch. Dist. #50-141...	3.70	1976	10,000.00
Mound, Village Imp...	4.00	1986-89	20,000.00
Moundsview Imp...	3.90	1986	15,000.00
Moundsview Imp...	4	1987-89	20,000.00
Moundsview Ind. Sch. Dist...	3.90	1991	25,000.00
New Germany, Common Sch. Dist. #265...	3.90	1986-88	25,000.00
New York Mills, Village Hospital...	4.30	1986-88	40,000.00
Olivia Water Aeration & Filter Plant...	4	1974	5,000.00
Osseo, Ind. Sch. Dist. 279...	4.40	1990-91	50,000.00
Osseo, Ind. Sch. Dist. 279...	4.80	1979-82	25,000.00
Osseo, Ind. Sch. Dist. 279...	3.90	1980-91	50,000.00
Osseo, Ind. Sch. Dist. 279...	3 3/4	1993	34,000.00
Ramsey County Hospital Facility Ser. B...	1/10	1992	60,000.00
Ramsey Co., Roseville Ind. Sch. Dist. #3...	2	1975	25,000.00
Ramsey Co., Roseville Ind. Sch. Dist. #3...	4.10	1971	5,000.00
Ramsey Co., Roseville Ind. Sch. Dist. #3...	4.20	1977-85	11,000.00
Richfield Ind. Sch. Dist. #280...	4.70	1981	25,000.00
Robbinsdale Ind. Sch. Dist. #281...	2	1987	50,000.00
St. Anthony G. O. Improvement...	4.80	1974-75	10,000.00
Spring Lake Park Village Sewer...	4	1985-87	25,000.00
Tonka Bay Sewer Impr. Series I...	3.80	1982	65,000.00
Trimont Sewer...	3 3/4	1984-89	20,000.00
Tuman Sewer Improvement...	3.70	1969-71	4,000.00
Tuman Sewer Improvement...	3.80	1972-75	20,000.00
Tyler Ind. School Dist. #409...	2	1987-89	70,000.00
Verndale Sanitary Sewer Improvement...	4.40	1976-80	40,000.00
Waterville Sanitary Sewer & Sewage Pt...	4.80	1974-75	9,000.00
Waterville Sanitary Sewer & Sewage Pt...	4.90	1982	15,000.00
West Concord, Ind. Sch. Dist. #205...	3.40	1983	25,000.00
Winthrop Sanitary Sewer Improvement...	4	1972-76	30,000.00

	Rate	Maturity	Par Value
Mississippi:			
Bridge Revenue.....	5	1999	17,000.00
New York:			
Corporate Stock.....	4 1/4	1972	25,000.00
Housing Auth. Dyckman Houses.....	3 3/4	1978	15,000.00
Housing Auth. Pelham Parkway Houses.....	3 3/4	1979	15,000.00
North Carolina:			
Charlotte, Sanitary Sewer Series A.....	1/10	1990	100,000.00
North Dakota:			
McClusky City, Gen. Obligation.....	4.875	1984-85	30,000.00
Tennessee:			
Dyer County High School.....	3 1/2	1975-76	15,000.00
Johnson County Gen. Obl. School.....	3 3/4	1981	10,000.00
Madisonville Water & Sewer Imp.....	3 3/4	2001	25,000.00
Shelby County School Bonds.....	1/10	1986	100,000.00
Texas:			
Edinburg, Junior College Dist. Sch. Bldg. 3 1/2	3 1/2	1968	10,000.00
County of Duval, Cons. & Rec.			
Dist. Ref. Bonds.....	4.75	1991	50,000.00
Fort Worth Street Imp.....	1/10	1987	110,000.00
Texas Western Municipal Gas Corp. Mtge. 5	5	2000	50,000.00
Washington:			
Bellevue Street Impr.....	1/10	1983-84	205,000.00
Total U.S. State and Munic. Bonds..			\$5,119,000.00

CANADIAN MUNICIPALS

	Rate	Maturity	Par Value
Burnaby, District of, British Columbia.....	5 1/2	1972-66	\$ 25,000.00
Burnaby, District of, British Columbia.....	5 1/2	1973-77	50,000.00
Prince Rupert, City of, British Columbia.....	6	1975-79	35,000.00
Quesnel, Town of, British Columbia.....	5 1/2	1978-82	48,000.00
Revelstoke, City of, British Columbia.....	5 1/2	1978-83	41,000.00
Saanich, District of, British Columbia.....	6	1966-70	23,000.00
Vancouver, British Columbia.....	6	1980	25,000.00
Vancouver, British Columbia Deb.....	5	1970	10,000.00
Vancouver, British Columbia Ser. Deb.....	5 1/2	1970-79	33,000.00
Vancouver, British Columbia S. F. Deb.....	5 1/2	1977	25,000.00
North Vancouver, City of, British Columbia.....	5 1/2	1974-76	30,000.00
West Vancouver, District of,			
British Columbia.....	5 1/2	1979-83	25,000.00
Brandon, City of, Manitoba Deb.....	5 1/2	1966-68	16,000.00
Brandon, City of, Manitoba.....	5 1/2	1975-79	40,000.00
Brandon, City of, Manitoba.....	6	1966-71	20,000.00
Brandon, City of, Manitoba.....	6	1969-70	26,000.00
Brandon, City of, Manitoba Local Imp. Deb.....	6	1973	32,000.00
Dauphin, Town of, Manitoba.....	6 1/4	1966-70	28,000.00
East Kildonan, City of, Manitoba.....	5 1/2	1967-72	30,000.00
Portage La Prairie, City of, Manitoba.....	5 1/2	1972	26,000.00
St. Boniface, City of, Manitoba.....	5 1/2	1974-83	50,000.00
Winnipeg, Manitoba.....	4 1/4	1972	15,000.00
Winnipeg, Manitoba.....	5 1/2	1980-83	50,000.00
Winnipeg, Manitoba, Debentures.....	5 1/2	1967	25,000.00
Winnipeg, Manitoba Debentures.....	5 1/2	1967	10,000.00
Winnipeg, Manitoba General Hospital Deb.....	5 1/2	1968-72	50,000.00
Winnipeg, Manitoba Serial Debentures.....	5	1969-78	50,000.00
Cornerbrook, City of, Newfoundland.....	5 1/2	1973-77	25,000.00
Halifax, Nova Scotia.....	4 1/4	1971	10,000.00
Halifax, City of, Nova Scotia.....	5 1/2	1975	25,000.00
Albion, Township of, Ontario.....	5 1/2	1978-83	30,000.00
Aldborough, Township of, Ontario.....	5 1/2	1980-84	30,000.00
Ancaster, Township of, Ontario.....	6	1975-79	33,100.00
Ancaster, Township of, Ontario.....	5 1/2	1975-81	34,000.00
Athens, Village of, Ontario.....	5 1/2	1978-83	37,000.00
Augusta, Township of, Ontario.....	5 1/2	1973-75	30,000.00
Aurora, Town of, Ontario.....	6 1/4	1971-75	25,000.00
Aurora, Town of, Ontario.....	6	1969-75	25,000.00
Belleville, City of, Ontario.....	5 1/2	1972	26,000.00
Bertie, Township of, Ontario.....	6	1966-72	27,000.00
Bertie, Township of, Ontario.....	6	1978-79	26,000.00
Bowmanville, Town of, Ontario.....	5 1/2	1976-80	23,000.00
Burlington, Town of, Ontario.....	5 1/2	1973-77	25,000.00
Brdrlington, Town of, Ontario.....	5 1/2	1976-80	50,000.00
Camden East, Township of, Ontario.....	6	1974-79	46,000.00
Cobourg, Town of, Ontario.....	5 1/2	1972-74	31,000.00
Cornwall, City of, Ontario.....	6	1971-75	50,000.00
Cornwall, City of, Ontario.....	6	1972-81	28,000.00
Cornwall, City of, Ontario.....	6	1971	49,908.37
Cornwall, City of, Ontario Deb.....	5 1/2	1966-68	10,000.00
Cornwall, City of, Ontario.....	6	1968-72	29,000.00
Cornwall, City of, Ontario.....	6	1968-72	8,000.00
Cornwall, City of, Ontario.....	5 1/2	1968-72	25,000.00
Crosby South, Township of, Ontario.....	6 1/2	1973	22,000.00
Crowland, Township of, Ontario.....	5 1/2	1967-68	31,000.00
Darlington, Township of, Ontario.....	5 1/2	1977-83	27,000.00
Dundas, Town of, Ontario.....	6	1968-75	35,000.00
Dunnville, Town of, Ontario.....	5 1/2	1974-78	40,900.00
Elizabethtown, Township of, Ontario.....	5 1/2	1979-83	43,000.00
Erin, Village of, Ontario.....	5 1/2	1973-76	38,000.00
Front of Escott, Township of, Ontario.....	5 1/2	1976-79	36,000.00
Frontenac County, Ontario.....	5 1/2	1976-80	25,000.00
Fort Erie, Town of, Ontario.....	6 1/4	1968-72	32,200.00
Fort William, City of, Ontario.....	6	1978-79	25,000.00
Fort William, City of, Ontario.....	5 1/2	1968-72	25,000.00
Georgetown, Town of, Ontario.....	6 1/2	1973-76	30,000.00
Grantham, Township of, Ontario.....	6 1/2	1968-69	27,000.00
Grantham, Township of, Ontario.....	6 1/2	1966-70	20,000.00
Grey County, Ontario.....	6 1/4	1966-69	30,000.00
Haldimand County, Ontario.....	5	1969-78	25,000.00
Haldimand, County of, Ontario.....	6	1974-78	50,000.00
Halton County, Ontario.....	5 1/2	1971-78	35,000.00
Halton County, Ontario.....	6	1975-79	50,000.00
Halton County, Ontario.....	6	1975-79	50,000.00
Halton, County of, Ontario.....	5 1/2	1972-76	31,000.00
Hamilton, City of, Ontario.....	6	1973-80	35,000.00
Hamilton, City of, Ontario.....	6 1/2	1966-73	13,000.00
Hamilton, City of, Ontario.....	5 1/2	1972-74	25,000.00
Hamilton, City of, Ontario.....	5 1/2	1977-81	32,000.00
Hamilton, City of, Ontario Debentures.....	5	1969-78	25,000.00
Hamilton, City of, Ontario S.F. Deb.....	5 1/4	1977	40,000.00

	Rate	Maturity	Par Value
Hamilton, City of, Ontario S.F. Deb.....	5 1/4	1971	10,000.00
Hastings, County of, Ontario.....	6	1966-69	27,000.00
Kingston, City of, Ontario.....	5 1/2	1975-79	25,000.00
Kingston, Township of, Ontario.....	6	1970-74	24,000.00
Kitchener, City of, Ontario.....	5	1966-68	10,000.00
Kitchener, City of, Ontario.....	5 1/2	1967-71	25,000.00
Kitchener, City of, Ontario.....	5 1/2	1967-71	25,000.00
Lambton County, Ontario.....	6 1/4	1979	50,000.00
Lambton County, Ontario.....	5 1/2	1977-81	41,000.00
Lennox and Addington Counties, Ontario.....	5 1/2	1981-85	50,000.00
Markham, Village of, Ontario.....	5 1/2	1980-84	55,000.00
Markham, Township of, Ontario.....	5 1/2	1977-81	31,600.00
Markham, Township of, Ontario.....	6 1/4	1978-82	25,000.00
Markham, Township of, Ontario.....	5 1/2	1979-83	50,000.00
Metropolitan Toronto, Ontario Deb.....	5	1972	10,000.00
Municipality of Met. Toronto, Ontario.....	5 1/2	1981	25,000.00
Municipality of Met. Toronto.....	5 1/2	1982	25,000.00
Municipality of Met. Toronto.....	5 1/2	1982	50,000.00
Municipality of Met. Tor., Ont., Ins. Deb.....	3 1/2	1973	25,000.00
Municipality of Met. Tor., Ont., S.F. Deb.....	3 1/2	1975	10,000.00
Municipality of Met. Tor., Ont., S.F. Deb.....	3 1/2	1985	15,000.00
Municipality of Met. Toronto, Ont., Deb.....	3 1/2	1975	25,000.00
Municipality of Met. Toronto, Ont., Deb.....	4 1/2	1976	25,000.00
Municipality of Met. Tor., Ont., S.F. Deb.....	5	1977	75,000.00
Municipality of Met. Tor., Ont., S.F. Deb.....	4 3/4	1978	50,000.00
Municipality of Met. Toronto, S.F. Deb.....	6	1979	25,000.00
Nepean, Township of, Ontario.....	6	1966-71	34,000.00
Niagara Falls, City of, Ontario.....	5 1/2	1973-82	25,000.00
Norfolk County, Ontario Deb.....	5 1/2	1966-77	13,000.00
Nottawasaga, Township of, Ontario.....	6	1978	30,000.00
Oakville, Town of, Ontario.....	6	1968-70	34,000.00
Oakville, Town of, Ontario.....	5 1/2	1969-73	25,000.00
Oakville, Town of, Ontario Deb.....	6	1967-73	25,000.00
Oakville, Town of, Ontario Deb.....	5 1/2	1968-78	16,000.00
Orillia, Town of, Ontario.....	5 1/2	1972	26,000.00
Orillia, Town of, Ontario.....	5 1/2	1973-76	20,000.00
Orillia, Town of, Ontario Deb.....	5 1/2	1972-76	25,000.00
Oshawa, City of, Ontario.....	5 1/2	1970-79	30,000.00
Oshawa, City of, Ontario Deb.....	5 1/2	1966-67	2,000.00
Ottawa, Ontario.....	5 1/2	1980-84	50,000.00
Paris, Town of, Ontario.....	5 1/2	1972-81	32,000.00
Penetanguishene, Town of, Ontario.....	6	1974-75	41,000.00
Peterborough, City of, Ontario.....	5 1/2	1966-68	12,000.00
Peterborough, City of, Ontario.....	5 1/2	1966-68	21,000.00
Peterborough, City of, Ontario.....	5 1/2	1969	61,000.00
Pickering, Township of, Ontario.....	5 1/2	1967-72	39,000.00
Pickering, Township of, Ontario.....	6	1973-77	32,000.00
Pickering, Township of, Ontario.....	5 1/2	1977-82	32,000.00
Port Arthur, City of, Ontario.....	5 1/2	1969-73	40,000.00
Port Arthur, City of, Ontario.....	5 1/2	1970-77	36,000.00
Port Arthur, City of, Ontario.....	5 1/2	1970-74	25,000.00
Port Hope, Town of, Ontario.....	6	1967-76	37,900.00
Preston, Town of, Ontario.....	6 1/4	1966-69	20,000.00
Renfrew, County of, Ontario.....	6	1973	20,000.00
Richmond Hill, Town of, Ontario.....	5 1/2	1975-79	44,000.00
Romney, Township of, Ontario.....	5 1/2	1982-84	48,000.00
St. Catherine, City of, Ontario.....	5 1/2	1977	25,000.00
Sandwich East, Township of, Ontario.....	6	1969-71	27,000.00
Sandwich East, Township of, Ontario.....	5 1/2	1969-71	30,000.00
Sarnia, City of, Ontario.....	6 1/2	1968-69	25,000.00
Sarnia, City of, Ontario.....	5 1/2	1969-70	40,000.00
Sault Ste. Marie, City of, Ontario.....	5	1974-78	25,000.00
Smith's Falls, Town of, Ontario.....	6	1967-70	35,600.00
Smith's Falls, Town of, Ontario.....	6	1966-71	24,000.00
Smith's Falls, Town of, Ontario.....	6	1968-72	38,800.00
Stamford, Township of, Ontario.....	5 1/2	1969-73	25,000.00
Stamford, Township of, Ontario.....	5 1/2	1966-71	34,000.00
Stamford, Township of, Ontario Deb.....	5 1/2	1970-78	25,000.00
Stamford, Township of, Ontario.....	6 1/4	1970-79	25,000.00
Stratford, City of, Ontario.....	5 1/2	1966-73	22,000.00
Stratford, City of, Ontario Deb.....	5 1/2	1975-78	25,000.00
Sudbury, City of, Ontario.....	5 1/2	1966-70	45,000.00
Sudbury, City of, Ontario.....	5 1/2	1973-77	25,000.00
Sudbury, City of, Ontario.....	5 1/2	1975-84	71,000.00
Tillsonburg, Town of, Ontario.....	5 1/2	1976-80	40,000.00
Toronto, Township of, Ontario Deb.....	5 1/2	1969-78	25,000.00
Toronto, Township of, Ontario Deb.....	5 1/2	1969-78	50,000.00
Toronto, Township of, Ontario.....	5 1/2	1968-72	25,000.00
Trafalgar, Township of, Ontario.....	6 1/2	1971-75	25,000.00
Trafalgar, Township of, Ontario.....	6 1/2	1968-77	50,000.00
Trafalgar, Township of, Ontario Deb.....	6	1966-78	22,000.00
Trenton, Town of, Ontario.....	6	1966-70	34,900.00
Trenton, Town of, Ontario Ser. Deb.....	4	1966-68	10,000.00
Vaughan, Township of, Ontario.....	6 1/4	1970-78	50,000.00
Vaughan, Township of, Ontario.....	6	1974-81	32,000.00
Vaughan, Township of, Ontario.....	5 1/2	1977-81	40,000.00
Vaughan, Township of, Ontario.....	5 1/2	1974-78	50,000.00
Walpole, Township of, Ontario.....	5 1/2	1980-83	40,000.00
Welland, City of, Ontario.....	5 1/2	1977-84	33,000.00
Welland, County of, Ontario.....	6 1/4	1966-68	14,000.00
Welland, City of, Ontario Debentures.....	6	1970-74	25,500.00
Welland, City of, Ontario Deb. Ser. C-1.....	6	1973-75	3,500.00
Wentworth County, Ontario.....	5 1/2	1967-69	30,000.00
Wentworth County, Ontario.....	5 1/2	1967-68	24,000.00
Wentworth County, Ontario.....	5 1/2	1977-81	25,000.00
Whitby, Town of, Ontario.....	5 1/2	1978-80	37,000.00
Windsor, City of, Ontario Ser. Deb.....	5 1/2	1970-77	22,000.00
York County, Ontario.....	6	1969	25,000.00
York County, Ontario.....	6	1973-77	25,000.00
Granby, City of, Quebec.....	5 1/2	1975-76	44,000.00
LaSalle, City of, Quebec (Jacques-Cartier).....	5 1/2	1978	25,000.00
Montreal Metropolitan Corporation, Quebec.....	5 1/2	1969-78	25,000.00
Montreal, Quebec Ser. Deb.....	4	1974	10,000.00
Montreal, Quebec S.F. Deb.....	5 1/2	1977	50,000.00
Montreal, Quebec Sinking Fund Deb.....	5 1/2	1979	25,000.00
Montreal, Quebec S.F. Deb. Series B.....	6	1979	50,000.00
Montreal, City of, Quebec.....	5 1/2	1981-88	63,000.00
Montreal, City of, Quebec.....	5 1/2	1989	25,000.00
Montreal, Quebec, Trans. Com. S.F. Deb.....	4 1/4	1973	20,000.00
Estevan, City of, Saskatchewan.....	5 1/2	1975-81	23,500.00
Moose Jaw, City of, Saskatchewan.....	5 1/2	1976-77	37,000.00
Moose Jaw, City of, Saskatchewan.....	5 1/2	1978	34,000.00
Regina, City of, Saskatchewan.....	5 1/2	1976	50,000.00

	Rate	Maturity	Par Value
Regina, City of, Saskatchewan Deb.....	5¾	1978	25,000.00
Regina, City of, Saskatchewan S.F. Deb.....	5	1978	35,000.00
Saskatoon, Saskatchewan.....	5½	1978-87	25,000.00
Weyburn, City of, Saskatchewan.....	6¼	1966-70	29,000.00
Weyburn, City of, Saskatchewan.....	6	1969-71	35,000.00
Total Canadian Municipal Bonds.....			\$6,154,408.37

REVENUE BONDS

	Rate	Maturity	Par Value
Alabama:			
Brent Utility Board.....	4¾	1989-91	\$ 26,000.00
Brookside Waterworks Board.....	5	1993-95	43,000.00
Camp Hill Utility Board.....	5	1995-96	41,000.00
Cherokee Waterworks Supply Board.....	4¾	1990-94	43,000.00
Cullman Jefferson Cos. Gas Dist. 1st Mtge.....	5	1990	25,000.00
Daleville Water.....	4¾	1987-89	37,000.00
DeKalb-Cherokee Cos. Gas Dist. 1st Mtge.....	5	1990	50,000.00
East Central Gas Dist. Nat. Gas Rev.....	5¼	1990	25,000.00
Huntsville Medical Clinic.....	5½	1984	25,000.00
Oneonta 1st Mtge. Nat. Gas Rev. Ser. A.....	4	1973-76	14,000.00
Russellville Gas Board.....	4½	1966-74	40,000.00
Section 1st Mtge. Waterworks Board.....	5½	1992	35,000.00
Sheffield Sewer, Water & Gas.....	1/10	1994	60,000.00
Arkansas:			
Mena Gas Trans. & Dist. Sys. Rev. Cons.....	3¾	1970	25,000.00
California:			
Toll Bridge Auth. Richmond-San			
Rafael Br. Rev.....	3¾	1992	10,000.00
Fresno Airport Rev. Bond Ser. A.....	5½	1977-79	25,000.00
Imperial County Irr. Dist. Elec. Rev.....	3	1972	10,000.00
Lemoore Tropical Gardens Street Imp.....	6	1966-77	38,819.24
San Lorenzo Valley, Saster Cruz,			
Water Dist.....	4.00	1977	35,000.00
Ukiah Sewer Revenue.....	4¾	1981-82	15,000.00
Florida:			
Clearwater.....	1	1989	55,000.00
Cocoa Sewer Revenue.....	5	1983-86	25,000.00
Cocoa Beach Improvement.....	4	1991	25,000.00
Eau Gallie, Recreation Certif.....	4.50	1974	16,000.00
Jacksonville Expressway Auth.....	4	1992	50,000.00
Eau Gallie, Recreation Certif.....	4.75	1976	13,000.00
Key West Elec.....	4	1994	30,000.00
Lake Apopka Nat. Gas Dist.....	5¼	1980	25,000.00
Florida Development Comm, Monroe			
County Road & Br. Rev.....	4.25	1991	25,000.00
Lake Wales Water Rev. and Impr.....	1	1999	75,000.00
Manatee County Water Rev.....	4.20	1999	50,000.00
Palatka Nat. Gas Sys. Rev. Cfts.....	5½	1989	25,000.00
Palm Springs, Village Water & Sewer Rev.....	4.75	1992	35,000.00
St. Petersburg Utility Tax Certificate.....	1/10	1983	50,000.00
Tallahassee Mun. Electric Rev.....	1/10	1990	100,000.00
Georgia:			
Cochran Nat. Gas Rev. Antic. Ctf.....	4½	1971	10,000.00
Gainesville Water & Electric Rev.....	1/10	1998	180,000.00
Hawkinsville Nat. Gas Rev. Antic. Ctf.....	4½	1971	10,000.00
Houston County Water Rev.....	5½	1983-84	25,000.00
Talbot Nat. Gas Rev. Antic. Cfts.....	3½	1974-80	10,000.00
Illinois:			
Bushnell Gas Rev.....	4	1989	45,000.00
Chicago-O'Hare International Airport.....	4¾	1999	20,000.00
Chicago Transit Auth. Rev. of 1952.....	4½	1982	22,000.00
Clay City Gas Utility Ref.....	5½	1980-82	30,000.00
Toll Highway Commission.....	4¾	1998	50,000.00
Sivilis, Water Works & Sewer Rev.....	4.25	1996	25,000.00
Kentucky:			
Turnpike Auth. Toll Rev.....	4.10	2002	25,000.00
Whitesburg Water Revenue.....	3½	1966-69	7,000.00
Louisiana:			
Greater Livingston Water Company.....	4¾	1997	25,000.00
Jefferson Parish, Hospital Rev.....	4	1993	25,000.00
Monroe Water and Electric Rev.....	2¾	1977	20,000.00
Massachusetts:			
Port Authority Rev. Ser. A.....	4¾	1998	9,000.00
Western Michigan, Univ. of, Student			
Fee Revenue.....	4.00	1987	25,000.00
Minnesota:			
Elbow Lake Hospital District.....	4.60	1975-77	25,000.00
Mpls. Sports Area Revenue Series D.....	2½	1989	20,000.00
State College Board Ser. D.....	3½	2000	50,000.00
Proctor L.S. Rev. Cfts.....	4½	1967-68	10,000.00
Warren Municipal Gas Revenue.....	4.90	1976, 81, 83	29,000.00
Missouri:			
St. Louis Water Revenue.....	1/10	1993	65,000.00
Montana:			
State Bd. Ed. Northern Montana College.....	4	1975-76	20,000.00
State Bd. Ed. No. Montana Col. Ser. B.....	4.70	1980-83	35,000.00
New Jersey:			
Madison, Township, Utility Rev.....	4.35	1999	50,000.00
New York:			
State Dorm. Auth. State Univ. Ser. A.....	1/10	1994	50,000.00
State Dorm. Auth. State Univ.....	1/10	1994	150,000.00
State Dorm. Auth. Ithaca Col. Ser. A.....	1/10	1994	200,000.00
State Dorm. Auth. Ithaca College.....	1/10	1994	100,000.00
State Dorm. Auth. Skidmore Col. Ser. A.....	1/10	1994	185,000.00
Power Auth. Gen. Rev. Ser. F.....	4.20	2006	25,000.00
North Carolina:			
Spray Water & Sewer.....	4½	1970	20,000.00
North Dakota:			
Dickinson, Water Revenue.....	4.30	1983-84	40,000.00
Mayville State College Rev.....	3.90	1993-95	50,000.00
No. Dakota, Univ. Parking Lot Rev.....	4.10	1981-82, 85	45,000.00
South Carolina:			
Clinton-Newberry Nat. Gas Sys. Rev.....	3½	1966-72	15,000.00
Tennessee:			
Bloomington Util. Dist. Sullivan Co.....	5	1976	20,000.00
Dayton Waterworks, Sewer Rev. & Tax.....	4½	1982-83	22,000.00

	Rate	Maturity	Par Value
Dickson Natural Gas System Revenue.....	3¾	1969	10,000.00
Hallsdale-Powell Util. Dist. San. Sewer.....	4.60	1993	32,000.00
Jacksboro Util. Dist. Campbell Co. W.W.....	4½	1988, 90-91	27,000.00
Jefferson & Cooke Cos. Nat. Gas Sys. Rev.....	5½	1973	25,000.00
Knox County Utility District.....	4¾	1992	25,000.00
Luttwell-Blaine-Corryton Util. Distr.....	5¼	1995-96	40,000.00
Memphis Elec. Lt. Plant Rev. Ser. A.....	4.40	1992	10,000.00
Middle Tenn. Util. Dist. Refunding C.....	3¾	1999	25,000.00
North Anderson County Util. Distr.....	4¾	2004	30,000.00
Woodlawn Util. Distr. Montgomery Co.....	4¾	1990-92	33,000.00
Rosane-Moigan Counties, Cumberland			
Util. Dist.....	5½	1984-85	25,000.00
Woodlawn Util. Distr. Montgomery Co.....	4¾	1992-94	25,000.00
Surgionsville Util. District,			
Hawkins, County of.....	5.00	1994-95	30,000.00
Texas:			
Houston Airport System Rev.....	1/10	1995	200,000.00
Utah:			
Ogden Water System Revenue.....	1/10	1990	115,000.00
Ogden, Weber Co., Sewer System.....	1	1992	45,000.00
Washington:			
Chelan County Public Util. Dist. 1.....	5	2013	42,000.00
Clark County Pub. Util. Dist. No. 1.....	1/10	1988	80,000.00
Grant Co. Pub. Util. Dist. No. 2.....	4¾	2000	15,000.00
Grant Co. Utility Distr. No. 2.....	3.80	1998	20,000.00
Toll Br. Auth. Rev. Second Lake.....	4.90	2000	24,000.00
Wisconsin:			
Bloomer Munic. Hospital Mtge. Rev.....	5	1976	25,000.00
Boyceville Sew. Sys. Mtge. Rev.....	4½	1972-77	17,000.00
Kronnenwetter Sanitary Distr. #1.....	4¼	1977-80	29,000.00
Osseo Hospital Rev.....	4¼	1990, 92-93	15,000.00
Viroqua Nat. Gas Rev.....	5.10	1984-85	35,000.00
Total Revenue Bonds.....			\$4,009,819.24

RAILROAD BONDS

	Rate	Maturity	Par Value
Chesapeake & Ohio Ref. & Imp. Mtge. Ser. H.....	3¾	1973	\$ 10,000.00
Chicago, Burlgtn. & Quincy 1st & Ref. Mtge.....	2¾	1970	5,000.00
Chicago Union Station Co. First Mtge. S.F.....	4¾	1988	50,000.00
Minneapolis & St. Louis R. R. Co. 1st Mtge.....	6	1985	82,500.00
Northern Pacific, Gen. Lien & Land Grant.....	3	2047	5,000.00
Pennsylvania General Mtge. Series F.....	3½	1985	9,000.00
Southern Pacific Company Forty Year.....	4½	1969	20,000.00
Southern Pacific First Mtge. Series E.....	2¾	1986	10,000.00
Texas & Pacific Gen. Ref. Mtge. Series E.....	3¾	1985	29,000.00
Union Pacific Ref. Mtge. Series C.....	2½	1991	50,000.00
Total Railroad Bonds.....			\$ 270,500.00

PUBLIC UTILITY BONDS

	Rate	Maturity	Par Value
American Tel. & Tel. Co. 40 Yr. Deb.....	2¾	1986	\$ 10,000.00
American Tel. & Tel. Co. 35 Yr. Deb.....	2¾	1980	20,000.00
American Tel. & Tel. Co. 28 Yr. Deb.....	4¾	1985	10,000.00
Central Maine Power Co. 1st & Gen'l			
Mtge. Ser. X.....	5¼	1990	49,000.00
Coastal States Gas Pro. Co. 1st Mtge. Ser. A.....	5	1983	25,000.00
Columbia Gas System, Inc. Deb. Ser. O.....	5½	1985	44,000.00
Con. Edison N.Y. 1st & Ref. Mtge. Ser. A.....	2¾	1982	55,000.00
Con. Edison Co. of N.Y. 1st & Ref. Mtge. S.....	5	1990	15,000.00
Consolidated Natural Gas Company.....	4¾	1983	50,000.00
General Telephone Co. of Indiana 1st Mtge.....	3	1975	10,000.00
Idaho Power Company 1st Mortgage.....	4¾	1990	25,000.00
Illinois Bell Tel. Co. 1st Mtge. Series A.....	2¾	1981	10,000.00
Jersey Central Power & Light Co. 1st Mtge.....	5	1987	25,000.00
Michigan Consolidated Gas Co. 1st Mtge.....	5½	1986	46,000.00
Michigan-Wisconsin Pipe Line Co. 1st Mtge.....	5½	1981	25,000.00
Montana-Dakota Utilities Co. First Mtge.....	5½	1983	25,000.00
Mountain States Tel. & Tel. Co. 40 Yr. Deb.....	2¾	1986	35,000.00
Natural Gas Pipeline Company of America.....	4¾	1978	40,000.00
Natural Gas Pipeline Co. of Amer. 1st Mtge.....	4¾	1979	12,000.00
New York Telephone Co. Ref. Mtge. Ser. D.....	2¾	1982	25,000.00
Northern Natural Gas Co. S.F. Debenture.....	4½	1976	10,000.00
Northern Natural Gas Co. S.F. Debenture.....	4¾	1980	49,000.00
Northern States Pwr. Co. of Minn. 1st Mtge.....	2¾	1975	40,000.00
Northern States Power 1st Mtge.....	5	1990	1,000.00
Northwest Natural Gas Co. 1st Mtge.....	5½	1984	22,000.00
Otter Tail Power Co. First Mortgage.....	4¾	1988	50,000.00
Otter Tail Power Co. First Mortgage.....	4¾	1991	18,000.00
Pacific Gas & Electric Co. 1st & Ref.			
Mtge. Ser. EE.....	5	1991	25,000.00
Pacific Gas & Electric Co. 1st & Ref.			
Mtge. Ser. L.....	3	1974	27,000.00
Pacific Tel. & Tel. Co. 40 Yr. Deb.....	2¾	1985	30,000.00
Pacific Tel. & Tel. Co. 40 Yr. Deb.....	2¾	1986	20,000.00
Philadelphia Elec. Co. 1st & Ref. Mtge.....	2¾	1974	10,000.00
Potomac Electric Power Co. 1st Mtge.....	3	1983	25,000.00
Public Service Elec. & Gas Co. 1st & Ref.			
Mtge. NJ.....	4¾	1988	25,000.00
St. Joseph Light & Power Co. 1st Mtge.....	5	1989	24,000.00
Southern Bell Tel. & Tel. Co. 40 Yr. Deb.....	2¾	1985	30,000.00
So. Calif. Edison Co. 1st & Ref. Mtge. Ser. A.....	3½	1973	25,000.00
So. Calif. Edison Co. 1st & Ref. Mtge. Ser. K.....	4¾	1983	50,000.00
Texas East. Trans. Corp. 1st Mtge. Pipeline.....	5½	1977	19,000.00
Texas East. Trans. Corp. 1st Mtge. Pipeline.....	4¾	1978	21,000.00
Texas East. Trans. Corp. 1st Mtge. Pipeline.....	4¾	1979	22,000.00
Texas East. Trans. Corp. 1st Mtge. Pipeline.....	4¾	1981	24,000.00
Texas Electric Service Company 1st Mtge.....	2¾	1975	25,000.00
Texas Gas Transmission Corporation.....	5	1982	25,000.00
Texas Power & Light Co. S.F. Debenture.....	3¼	1973	9,000.00
Transcont. Gas Pipeline Corp. 1st Mtge.....	4¾	1978	50,000.00
Transcont. Gas Pipeline Corp.....	4¾	1982	24,000.00
Transcont. Gas Pipeline Corp. 1st Mtge.....	5	1979	23,000.00
Transcont. Gas Pipeline Corporation.....	6½	1978	16,000.00
Transcont. Gas Pipeline Corp. 1st Mtge.....	5	1981	46,000.00

	Rate	Maturity	Par Value
Western Union Telegraph Company.....	5	1992	50,000.00
Western Union Telegraph Company.....	5½	1987	25,000.00
Wisconsin Electric Power Co. 1st Mtge.....	2½	1976	25,000.00
Wisconsin Electric Power Co. 1st Mtge.....	5	1990	25,000.00
Total Public Utility Bonds.....			\$1,446,000.00

INDUSTRIAL AND MISCELLANEOUS BONDS

	Rate	Maturity	Par Value
Aldens, Inc. Sinking Fund.....	5½	1981	\$ 25,000.00
American Cement Corporation S.F. Deb.....	5	1978	22,000.00
American Tobacco Co. 25 Yr. Debenture.....	3½	1977	9,000.00
Associates Investment Co., Senior Deb.....	5½	1979	20,000.00
Associates Investment Co., Senior Deb.....	5½	1977	10,000.00
Associates Investment Co., Sub. Deb.....	5½	1977	13,000.00
Atlas Credit Corporation.....	5½	1984	35,000.00
Beneficial Finance Co. Twenty Year Deb.....	5	1977	35,000.00
Beneficial Finance Co. Deb.....	5	1990	25,000.00
Burroughs Corporation S.F. Deb.....	4½	1983	25,000.00
Canadian-American Financial Corp.....	5½	1976	400,000.00
C.I.T. Financial Corp., Debenture.....	4½	1979	25,000.00
C.I.T. Financial Corp., Serial Deb.....	4½	1969	25,000.00
Celanese Corporation of America Deb.....	3½	1976	15,000.00
Chicago Luth. Hosp. Ass'n. 1st Mtge. Ser. A. Walther Mem.....	5.40	1977	50,000.00
Church of Holy Cross, Mpls., Minn. 1st Ref. Mtge.....	4	1967	5,000.00
Church of St. Char., Borromeo, Minn. 1st Mtge. Ser. A.....	3½	1967	15,000.00
Commercial Credit Company.....	4½	1980	50,000.00
Commercial Credit Company.....	5	1977	25,000.00
Control Data Corp. S.F. Deb.....	5	1985	25,000.00
John Deere Credit Company Series B.....	4½	1981	25,000.00
John Deere Credit Company Deb. Series A.....	4½	1985	25,000.00
Doughboy Industries, Inc. Cov. Sub. Deb.....	5½	1977	25,000.00
The Garrett Corporation.....	5½	1982	25,000.00
General Acceptance Corp. Sr. Deb.....	6	1980	40,000.00
General Acceptance Corp. Sr. Deb.....	5½	1976	16,000.00
General Acceptance Corp. Sr. Deb.....	5½	1976	50,000.00
General Acceptance Corp. Sr. Deb.....	4½	1983	50,000.00
General Motors Accept. Corp. 17 Yr. Deb.....	3½	1972	20,000.00

	Rate	Maturity	Par Value
General Motors Accept. Corp. Deb.....	5	1977	50,000.00
General Motors Accept. Corp. 21 Yr. Deb.....	5	1980	25,000.00
General Motors Acceptance Corp.....	4½	1987	50,000.00
General Telephone & Electronics Corp.....	4½	1987	40,000.00
General Telephone & Electronics Corp. S.F.....	4½	1988	50,000.00
W. T. Grant Company Sinking Fund Deb.....	4½	1987	25,000.00
Household Finance Corp., S.F. Deb.....	4½	1984	24,000.00
Household Finance Corporation Deb.....	4½	1981	25,000.00
Industrial Credit Company Senior Note.....	5½	1973	70,000.00
International Tel. & Tel. Corp. S.F. Deb.....	4.90	1987	50,000.00
Interstate Oil Pipe Line Co. S.F. Deb. Ser. A.....	3½	1977	10,000.00
Lehigh Portland Cement Co. S.F. Deb.....	4½	1979	24,000.00
National Tea Company S.F. Debentures.....	5	1977	11,000.00
North Central Airlines Sub. Conv. Deb.....	5½	1978	15,000.00
Philip Morris, Inc., Sinking Fund Deb.....	4½	1979	25,000.00
G. T. Schjeldahl Company.....	5½	1971	23,000.00
Sears Roebuck Acceptance Corp. Sub. Deb.....	4½	1977	10,000.00
Sears Roebuck Acceptance Corp. Deb.....	5	1982	25,000.00
Sperry Rand Corp. S.F. Deb. XW.....	5½	1982	46,000.00
Standard Oil Co. of New Jersey 25 Yr. Deb.....	2½	1974	30,000.00
Sylvania Electric Products, Inc. S.F. Deb.....	4	1978	17,000.00
Sylvania Electric Products, Inc. S.F. Deb.....	4½	1980	24,000.00
Sylvania Electric Products, Inc. S.F. Deb.....	5½	1984	42,000.00
James Talcott, Incorporated Sr. Note.....	5½	1979	24,000.00
James Talcott, Incorporated Sr. Note.....	5½	1980	15,000.00
Tenneco Corporation S.F. Deb.....	5½	1990	25,000.00
Tennessee Gas Transmission Company 1st Mtge. Pipeline.....	3½	1975	25,000.00
Tennessee Gas Transmission Company 1st Mtge. Pipeline.....	5½	1977	16,000.00
Tennessee Gas Transmission Company.....	6	1977	16,000.00
Tennessee Gas Transmission Company.....	5	1978	19,000.00
Tennessee Gas Transmission Company 1st Mtge. Pipeline.....	5½	1979	18,000.00
Tennessee Gas Transmission Company.....	5½	1981	24,000.00
Tennessee Gas Transmission Company.....	5	1982	25,000.00
Tennessee Gas Transmission Company 1st Mtge. Pipeline.....	4½	1983	48,000.00
Tennessee Gas Transmission Company.....	5½	1985	25,000.00
Thompson Ramo Wooldridge, Inc. 25 Yr. Deb.....	5½	1986	23,000.00
Victor Comptometer Corp. S.F. Deb.....	4½	1988	50,000.00
Whirlpool Corp.....	5½	1986	25,000.00
Total Industrial & Misc. Bonds.....			\$2,219,000.00

STOCKS

	No. of Shares
Common Stocks:	
Aetna Life Insurance Company.....	250
American National Insurance Company.....	2,000
American Telephone and Telegraph Company.....	660
Bankers Trust Company.....	445
Bankers National Life Insurance Company.....	609
California-Western States Life Insurance Company.....	1,331
Canadian-American Financial Corporation.....	20
Chase Manhattan Bank.....	397
Citizens Park Agency, Incorporated.....	149
Citizens State Bank of St. Louis Park, Minnesota.....	267
Connecticut General Life Insurance Company.....	100
Continental Illinois National Bank and Trust Company.....	730
Fireman's Fund Insurance Company.....	500
First Bankstock Corporation.....	1,648
First National Bank of New York.....	550
First Pennsylvania Banking and Trust Company.....	500
Ford Motor Company.....	600
General Aniline and Film Corporation.....	1,000
General Motors Company.....	400
General Public Utilities Company.....	2,294
Great Southern Life Insurance Company.....	167
Gulf Oil Corporation.....	1,000
Home Protective Company.....	180
Investors Diversified Class A.....	3,710
Iowa Electric Light and Power Company.....	500
Kansas City Life Insurance Company.....	10
Kansas Power and Light Company.....	1,000
Liberty Life Insurance Company.....	770
Loyal Protective Life Insurance Company.....	50
M S L Industries.....	5,300
M.T.S. Systems Corporation.....	250
Manufacturers Hanover Trust Company.....	672
Marquette National Bank.....	70
Midwest Life Insurance Company.....	400
Minneapolis Gas Company.....	500
Minnesota Valley Natural Gas Company.....	500
Monumental Life Insurance Company.....	250
National Bank of Detroit.....	530
North Central Airlines.....	493,393.20
Northwest Bancorporation.....	1,050
Northwestern National Insurance Company.....	1,148
Northwestern National Life Insurance Company.....	1,000
Ohio State Life Insurance Company.....	1,182
Ottetail Power Company.....	800
Pacific Power and Light Company.....	1,275
Pittsburgh National Bank.....	500
Protective Life Insurance Company.....	1,320
Provident Life and Accident Insurance Company.....	300
Provident Life Insurance Company.....	368
Reliance Insurance Company.....	348
Research, Incorporated.....	250
Richfield State (Bank) Agency, Inc.....	518
Richfield State Bank, Minnesota.....	90
Southern California Edison Company.....	400
Standard Oil of California.....	315
Standard Oil of New Jersey.....	200

	No. of Shares
Travelers Insurance Company.....	400
Victory Life Insurance Company.....	200
Washington National Insurance Company.....	1,600
West Coast Life Insurance Company.....	500
Western States Life Insurance Company.....	490
Wisconsin National Life Insurance Company.....	2,000
Preferred Stocks:	
Allis-Chalmers Manufacturing Co. \$4.20 Cum.....	200
Atlanta Gas Light Company \$4.72 Cum. Pfd.....	250
Bank Shares Inc. 6% Cum.....	3,000
Boise Cascade Corporation \$1.40 Cum.....	500
Canadian-American Financial Corp. 6% Cum. Partic.....	5,000
Central Telephone Company 4.96% Cum.....	800
C.I.T. Financial Corporation \$5.00 Cum.....	400
Consolidated Edison Company 4.65% Cum.....	500
The Dayton Company Class B 6% Cum.....	100
Gamble Skogmo \$1.75 Cum.....	1,500
General Acceptance Corporation 6.50% Cum. Pfd.....	250
General Telephone Company of California 5% Cum.....	2,000
General Telephone Company of Florida \$1.25 Cum.....	500
General Telephone Company of Illinois \$2.375 Cum.....	740
General Telephone Company of Indiana \$2.00 Cum.....	600
General Telephone Company of Kentucky \$5.00 Cum.....	225
General Telephone Company of Michigan \$2.40 Cum.....	1,598
General Telephone Company of the N.W. \$4.80 Cum.....	300
General Telephone Company of Ohio \$1.15 Cum.....	2,000
General Telephone Company of the Southwest 5.10% Cum.....	1,200
General Telephone Company of the Southwest \$2.20 Cum.....	1,460
Genesco Incorporated \$4.50% Conv.....	250
International Milling Company, Incorporated 4% Cum.....	675
Middle States Telephone Company of Illinois 5% Cum.....	500
Mississippi Power Co. 4.72% Cum.....	250
Mississippi Power and Light Company 4.92 Cum. Pfd.....	250
Montana Dakota Utilities Company 4.70% Cum.....	157
Montana-Dakota Utilities Company 4.70% Pfd.....	100
Montana Dakota Utilities Company 4.50% Cum.....	580
Northern Natural Gas Company 5.60% Cum.....	150
Northern Natural Gas Company 5.50% Cum.....	100
Northwest Natural Gas Company 4.75% Cum.....	200
Ottetail Power Company 3.60% Cum.....	760
Pacific Power and Light Company 4.72% Cum.....	250
Panhandle Eastern Pipeline Company 5.64% Cum.....	200
Public Service Electric and Gas Company 5.28% Cum.....	200
Puget Sound Power and Light Company 4.70% Cum.....	300
Puget Sound Power and Light Company 4.84% Cum.....	200
Richfield State Bank 5% Cum.....	45
Tennessee Gas Transmission 5.24% Cum.....	100
Tennessee Gas Transmission 5.08% Cum.....	150
Tennessee Gas Transmission Company 5.36% Cum. Pfd.....	500
Texas Eastern Transmission Company 5.52% Cum.....	150
Transcontinental Gas Pipeline 5.60% Cum.....	125
Transcontinental Gas Pipeline 5.60% Pfd.....	100
Transcontinental Gas Pipeline 5.26% Cum.....	200
Union Electric Company \$4.56 Cum.....	250
Utah Power and Light Company \$1.18 Cum. B.....	750
Western Power and Gas \$2.55 Cum.....	700

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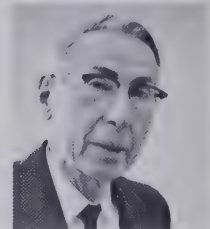
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Cyrus Hoigaard



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... please check the subjects that interest you, fill out the spaces provided and drop the card in the mail.

☐ Name and address of nearest NALAC sales office.

Information about:

- | | |
|---|--|
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| ☐ Salary Budget Plan | ☐ Group Insurance |
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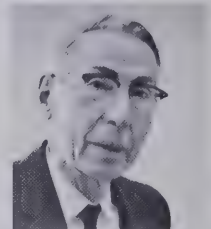
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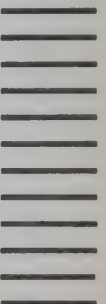
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Director of Personnel

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Registrars	Northwestern National Bank, Minneapolis Morgan Guaranty Trust Co., New York
Auditors	Arthur Andersen & Co. Minneapolis, Minnesota
Legal Counsel	Maslon, Kaplan, Edelman, Joseph & Borman Minneapolis, Minnesota

North American Life and Casualty Company

1750 Hennepin Avenue, Minneapolis, Minnesota 55403



NORTH AMERICAN LIFE & CASUALTY COMPANY

1750 Hennepin Avenue
Minneapolis, Minnesota
55403

File 9

North American Life and Casualty Co.

Minneapolis, Minn.

April 1966

For:

North American Life and Casualty Co.

1750 Hennepin Ave.

Minneapolis 3, Minnesota

Area Code 612 FEderal 8-5671

Area Code 612 377-5511 (After June 1966)

Prepared by:

Donald E. Hammerstrom

Gardner, Jones & Cowell, Inc.

Public Relations Counsel

79 W. Monroe St., Chicago, Ill. 60603

Area Code 312 STate 2-5000

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
HISTORY.	4
ORGANIZATION	9
Operating Divisions	
Sales Divisions	
Branch Office Operations	
Personnel	
BUSINESS	11
LIFE INSURANCE	12
Sales of Life Insurance	
Sickness & Accident Insurance	
Insurance Sales Through Investment Companies	
Creditor Insurance	
Canadian Operations	
FINANCIAL RESULTS.	17
Premium Income	
Investment Income	
Costs and Expenses	
Operating Income	
Stockholders' Equity	
Dividends	
CAPITALIZATION	24
LIFE INSURANCE INDUSTRY.	25
BIOGRAPHIES OF OFFICERS.	31
BALANCE SHEETS	36
STATEMENTS OF INCOME	38
STATEMENTS OF SURPLUS.	39
NOTES TO FINANCIAL STATEMENTS.	40
GLOSSARY	41

INTRODUCTION

Pioneering spirit and profitable growth are key factors in the operations of North American Life and Casualty Company (NALAC). This 70-year old Minneapolis firm has grown at an astonishing pace in recent years... a pace sparked by an aggressive, expansion-minded management.

Types of Insurance -- The primary types of insurance written by NALAC are life and sickness and accident, both individual and group, with life accounting for about 70 per cent of total annual premium income.

Life Insurance in Force -- In 1960, NALAC achieved its first billion of life insurance in force. In April, 1964, the company reached the two billion mark, and expects to have \$3 billion of life insurance in force in 1966. This concerted emphasis on growth moved the company from 86th to 64th in insurance in force during the 1960-64 period -- a performance unmatched by any of the other top 100 U.S. companies listed in 1960, exclusive of mergers.

Industry Position -- Today, North American ranks among the top 5 per cent of the more than 1500 legal reserve companies in the United States and Canada.

Annual Gains -- Except in 1948, the company has shown a net gain from operations every year since 1933. This better than average record was accomplished despite growing expenses generated by expanding sales. NALAC has been able to significantly lower the ratio of expenses to premium income, both on first year business and total business. The improvement was fostered by a coordinated company plan featuring more effective sales effort, more efficient profit planning and the development of an integrated system of controls and management reports utilizing the most up-to-date computer facilities.

Premiums -- NALAC experienced increases in first year individual life insurance premiums of 53 per cent in 1962, 22 per cent in 1963, and 19 per cent in 1964 and 4 per cent in 1965. Another yardstick: The average annual premium per individual life insurance policy issued by the company in 1960 was \$134. By 1964 the average had risen to \$218 and to \$244 in 1965.

Policy Growth -- Size of policies is an important element in measuring performance. In 1960, the average individual life insurance policy issued by North American was \$10,966 vs. \$24,617 in 1965.

Computer Accounting -- Spurred by rapid growth that could have overwhelmed existing procedures, North American has developed the Datanamic accounting and reporting system to implement basic organizational changes. A major breakthrough in insurance company data processing methods, the high-speed computerized system carries automation far beyond usual premium and commission accounting applications to give management a detailed overview of all operations, with particular emphasis on new-business activity. Daily, weekly, and monthly sales reports and monthly financial reports on an accrual basis pinpoint matters requiring immediate action and provide unprecedented flexibility in planning for the future.

NALAC Innovations -- In its beginning year -- 1896 -- North American pioneered writing sickness and accident insurance in combination. Since that time, it has also made a number of innovations in the insurance industry: health policies that pay lifetime accident benefits...dramatic reduction in term insurance rates...new health policies for employed women...making the "insurance age" the date of birth...lower life insurance rates for women. The list goes on, as does the pioneering spirit at North American.

Insurance Market -- The market for life insurance is staggering -- one trillion dollars is the amount predicted to be in force in the U.S. in 1970, compared with the \$833 billion in force at the end of 1964. A promising future for the industry is seen as a result of the rising standard of living, inflation, increased longevity, gains in new family formation, population explosion, more disposable income, efficient cost controls -- all without the negative influences found in other industries: inventory problems, plant and equipment obsolescence, foreign competition and labor problems.

Growth Rate -- North American's management believes that the company will maintain a growth rate exceeding that of the industry through rising sales volume generated by new offices opened in recent years, a continued expansion program and introduction of new rates and policies.

HISTORY

The company was originally incorporated in Minnesota on April 15, 1896, with James Sullivan as president and Henry M. Little as secretary. In those days the secretary of an insurance company managed the business, so Sullivan's title was nominal. Little was an extreme conservative, a New Englander from Vermont, who formerly had been a small-town merchant.

The young firm was organized to write life and casualty insurance on the assessment plan, which meant simply that premiums could be increased from time to time. North American Casualty Company, as it was then known, was the first company to insure policyholders against loss of time from work by offering sickness and accident policies written in combination. The first policy issued called for monthly premiums of \$2.00, a weekly accident benefit of \$25.00, weekly sickness benefit of \$18.00 and a death benefit of \$100.00. Incidentally, Little apparently followed the sell-to-the-family maxim of budding insurance salesmen. The first policyholder was his brother, Frank E. Little, insurance agent for New York Life Insurance Company.

In 1912, the company reinsured the business of the Plymouth Casualty Company and North American Life Association, both of Minneapolis, and the articles of incorporation were amended, changing the name to its present designation, North American Life & Casualty Company (NALAC). At the same time, the corporation was transformed into a legal reserve, level premium life and casualty insurance company.

At the time of the consolidation, Zeke Austin, who had been head of the North American Life Association, became president of the new company. On Sept. 1, 1915, NALAC received a license to issue life, health and accident insurance as a stock company, with a fully paid-up capital stock of \$100,000.

Austin had the misfortune to manage the business during years of extreme hardship for insurance companies. Major deterrents to growth in this period were World War I, during which all insurance business suffered, and the introduction of workmen's compensation which cut into the company's loss-of-time business. Except for an agency in Minneapolis and one in St. Paul, all of NALAC's sickness and accident business was written in rural communities, mostly on farmers. No concerted effort was made to promote the life insurance programs and economic conditions deteriorated in farming areas following the war. Life insurance in force at NALAC in 1920 stood at \$1,302,027.

In 1928, T. O. Burge became president. During his administration, participating and non-participating life insurance policies were initiated by the company. However, the new development had slight impact on sales as significant growth was next to impossible for a small insurance company in the depression years.

The hard-pressed organization had 7 home office employees and 120 sales agents when H. P. Skoglund, former secretary and sales manager for a canvas goods manufacturing company, was brought in as president in 1933. Life insurance in force on May 1, 1933, was \$1,991,000 and total annualized sickness and accident premiums were \$26,000.

The new chief executive had a host of problems to whip. The company's financial structure was shaky. Bonds were in default, mortgages were in arrears, salesmen were even accepting insurance applications from people who were standing in breadlines -- and the salesmen were getting cash advances on those applications.

Skoglund established personnel, financial and payroll procedures on sound administrative lines. Above all, he organized a competent sales force

and launched aggressive sales promotions. He made "SALES" the cornerstone of NALAC's new operating philosophy.

The company introduced low-premium life, sickness and accident plans which fit the pocketbook of the times and gave the reorganized sales team confidence in products that could be sold. The policy innovations were only the first of many for NALAC and they proved to be valuable steps for the sorely troubled firm. The new president took to the field to spark the sales force. Branch offices were soon opened and where such facilities didn't exist, street corners and building lobbies were used for sales meetings.

In 1933, the company absorbed the business of both the Union National Insurance Company and the Scandanavian Good Templars Sick Benefit Association of Minneapolis. In 1935, the Supreme Casualty Company, Milwaukee, was reinsured, followed in two years by the Minneapolis-based Equitable Mutual Insurance Company, all very small companies. Total premiums involved in these companies were approximately \$35,000 with assets of \$12,000.

Home office morale was given a boost in 1935 when the company was moved from its dingy quarters in downtown Minneapolis to the Clark estate on Park Avenue. The company was one of the first commercial businesses to enter an upper income residential area in the Twin Cities.

For many years, NALAC had sold hospital insurance as a supplement to the loss-of-time benefit. In 1938, the company offered hospital and surgical benefits to men, women and children, a move which broadened prospect lists considerably because applicants weren't required to qualify for loss-of-time benefits. Immediate success of the plans permitted the company to expand operations over the next several years throughout most of the United States and Canada. In addition, NALAC was able to extend the coverages to large group insurance plans, both life and sickness and accident. The company's

salesmen soon found sickness and accident policyholders were prime candidates for life policies as well. As a result, sales began to climb. By 1941, NALAC had \$13 million of life insurance in force.

A most important move occurred in 1948 with the construction of a four-story, 100,000-square foot home office building on Hennepin Avenue in Minneapolis. The site was purchased from the Walker family, patrons of the Walker Art Center which is adjacent to the NALAC building. Just to the rear of the company's property is the ultra-modern Tyrone Guthrie Theatre, whose audiences use the NALAC parking lot.

The turning point in the modern development of the company came in 1948 through an association with Investors Diversified Services, Inc., the nation's largest investment fund. The company provided term life insurance for people purchasing investment fund shares and certificates on the installment plan. IDS sold NALAC policies with their sales force. That gigantic step put NALAC firmly on the profit side of the ledger.

The marriage ended nine years later, in 1957, when the IDS's management decided to enter the insurance field and began to underwrite coverage through a subsidiary. However, what appeared at first to be a staggering blow was actually a blessing.

Realizing a tremendous sales increase would be needed to make up for the loss of IDS business, a new aggressive sales effort was launched which is continuing and has made NALAC the growth company it is. The company opened and staffed new offices at a rate far in excess of the industry average to compensate for the anticipated loss of business. An affiliate of IDS owned 30 per cent of North American's stock. To remove that competitive edge, Skoglund repurchased the shares in 1962. The action worked like a shot of vitamins. Sales were revitalized. Morale soared.

The success of the expansion program is evident in the company's financial statements. In 1950, NALAC had \$100 million of life insurance in force, by 1956, \$600 million and in 1960 the billion dollar mark was passed. The company topped the two billion level in April of 1964.

In May, 1965, James E. Scholefield was elected to the presidency, succeeding H. P. Skoglund, NALAC's president for 32 years. Scholefield joined the company in 1947 and had advanced to senior vice president and director of agencies before his election. Skoglund remained chairman and chief executive officer.

As he assumed his new duties, Scholefield had an experienced management team, an enthusiastic sales force and an increase in authorized capitalization from \$5 million to \$10 million to help him. His and the company's target for late 1966: \$3 billion of life insurance in force.

In the executive realignment, John C. Skoglund was elected executive vice president; Carl A. Ernst was named senior vice president-sales; Wilson Scott became vice president-actuary, and Robert H. Rydman was promoted to vice president - general counsel.

Today, the company has 114 well-defined areas of responsibility. Results from these areas are fed to a highly sophisticated computer system -- probably the most refined in the industry -- then results are relayed to the nine division heads and ultimately to the Board Chairman and Chief Executive Officer.

The pace at NALAC is quickening. New offices are being opened at a rapid rate, financed by income on investments from a \$9.2 million public stock offering in March of 1963. The management team is developing new, lower-cost policies that are custom tailored -- as in the Thirties -- to fit the needs of buyers.

Emphasis is still on life insurance which represents more than 70 per cent of the company's premium income. The full product line includes all forms of personal insurance, both individual and group, life, sickness and accident.

In nearly every category, the company's fiscal trend lines exceed the industry's by wide margins as they have since 1962. Management expects no let-up in the foreseeable future.

ORGANIZATION

Operating Divisions

NALAC's corporate organization is composed of twelve operating divisions: Sales, Group, Canadian, Investment & Office Services, Controller's, Underwriting, Actuarial, Claims, and Policyowners' Service, Sales Promotion and Law. The division heads report directly to the board chairman and the president, but each possesses authority to decide and act independently.

Sales Divisions

The Sales Division consists of four sales regions and two functional sales units. The company's home office in Minneapolis serves as the regional sales office for the U.S. and Toronto serves the Canadian region. In the two functional units, Brokerage Sales handles insurance directed to NALAC through insurance brokers, and Creditor deals with creditor insurance.

North American is licensed to do business in all ten provinces of Canada, the District of Columbia, New York for reinsurance only, and all other states except Massachusetts and Rhode Island.

Branch Office Operations

The company operates largely under the branch office system, and develops its own sales offices rather than using general agencies. In this way control

and supervision of overall operations is more effective, and the organization is more stable and cohesive.

At the present time, NALAC has 78 offices in addition to its Canadian and U.S. main offices. A total of 41 have been added since 1960. The offices are located in 61 U.S. and Canadian cities.

Personnel

At the end of 1965, salaried personnel totaled 482. Of this number, 325 were in home office administration, 73 in home office sales administration, and 84 in branch offices.

North American has more than 802 agents or field underwriters, about 278 of whom are full-time career agents who sell the company's insurance exclusively. All salesmen are on a straight commission basis. In addition to this field staff, NALAC has arrangements with more than 5,900 insurance brokers who place business with the company on a regular basis.

BUSINESS

The main forms of insurance coverage offered by NALAC include individual life, group life and sickness and accident, both individual and group. Within these basic categories, individual policies come in a variety of forms, none of which, however, represent participating insurance. This type of insurance (in which the policyholder has the right to dividends, or participation in future earnings), has not been written by the company in the last 15 years.

In addition, the company markets a form of term insurance through investment companies, principally Investors Syndicate of Canada Ltd. (see Page 14)

Although North American offers what might be called "standards" or "staple" items, the company also has helped initiate many new ideas in the insurance industry. New products or innovations that have been brought out by NALAC during recent years include:

- Health policies that pay lifetime accident benefits
- Accidental death policies with principal sum to \$100,000
- Loss-of-time policies that pay greater benefits over a longer period of time
- Non-cancellable health policies for women
- Health policies for employed women
- Substantial reduction in rates on life insurance for women
- Dramatic reduction in term insurance rates culminating in a highly competitive product in the United States and Canada
- Liberalized coverage in the substandard field making it possible for many people to get insurance protection for the first time
- Simplification of all policies so that "insurance age" changes on date of birth -- not six months prior to birthdays, as with most other companies
- Extra-value factor introduced in all areas. This means the more insurance purchased by an individual in a single policy, the lower the rate per \$1,000

LIFE INSURANCE

The basic gauge of progress in the insurance industry is the amount of insurance in force. This figure reflects the net amount of the life insurance coverage on the books of the company as of any given date.

North American recorded a gain in life insurance in force of \$327,783,000 during 1965, or more than 14 per cent.

Following is a table illustrating the breakdown of NALAC's life insurance in force as of the end of 1965:

	<u>Amount</u>	<u>Per Cent of Total</u>
Whole life & endowment	\$ 387,418,000	14.9%
Term & other	1,375,492,000	53.1
Group	<u>828,679,000</u>	<u>32.0</u>
TOTAL	\$2,591,589,000	100.0%

The following table indicates the company's yearly growth of life insurance in force between 1954 and 1965: (IN THOUSANDS)

<u>Year</u>	<u>Whole Life & Endowment</u>	<u>Term & Other</u>	<u>Group</u>	<u>Total</u>
1965	\$387,418	\$1,375,492	\$828,679	\$2,591,589
1964	336,883	1,175,585	751,338	2,263,806
1963	290,418	1,003,085	582,688	1,876,191
1962	263,542	786,263	422,632	1,472,437
1961	242,931	544,844	367,722	1,155,497
1960	222,758	459,388	351,255	1,033,401
1959	202,537	446,525	295,290	944,352
1958	187,897	435,624	238,627	862,148
1957	164,109	392,948	170,284	727,341
1956	139,397	330,405	133,497	603,299
1955	122,501	272,404	76,278	471,183
1954	108,780	229,506	57,131	395,417

As indicated in the preceding table, life insurance in force increased 555 per cent for the ten year period 1956 through 1965. Over the same period, life insurance in force for all U.S. life insurance companies increased only 138 per cent.

During 1965, NALAC underwrote new life insurance with a face value of \$604,610,000, a decrease of 2 per cent over the volume written in 1964, and an increase of 323 per cent over the volume written in 1954.

Sales of Life Insurance:

<u>Year</u>	<u>Face Amount of Life Insurance Sold</u>	<u>Per Cent Increase Over Prior Year</u>
1965	\$604,610	(2.3%)
1964	618,951	9.7
1963	564,152	22.2
1962	461,699	109.3
1961	220,630	23.3
1960	178,965	14.9
1959 (1)	155,697	(24.3)
1958	205,649	14.5
1957	179,581	14.9
1956	156,285	31.7
1955	118,638	(17.0)
1954	143,024	

(1) The decline in 1959 reflects the reduction in new business derived from Investors Diversified Services, Inc.

Along with the growth in life insurance in force and sales of life insurance there has been an increase in the average size of individual life insurance policies issued by NALAC and the average premium on such policies.

Sickness & Accident Insurance

This form of insurance, written on an individual or group basis, provides protection to the insured against direct financial hazards resulting from accident or sickness. Hospital, surgical and medical expenses are the principal forms of coverage.

Unlike life insurance, customarily S&A coverage cannot be determined in advance, therefore, the growth of S&A business customarily is measured in terms of premium income.

During 1965, NALAC's premium income from A&S insurance increased 3.9 per cent to \$10,324,485, from \$9,937,252 in 1964. Approximately 66 per cent of 1964 premium income represented group policies and 34 per cent individual policies.

The following table traces premium income from S&A insurance over the last eleven years:

<u>Year</u>	<u>Individual S&A Policies</u>	<u>Group S&A Policies</u>	<u>Total</u>
1965	\$3,522,596	\$6,801,889	\$10,324,485
1964	3,330,669	6,606,583	9,937,252
1963	3,083,400	5,895,264	8,978,664
1962	2,891,446	5,397,684	8,289,130
1961	2,750,154	4,855,948	7,606,102
1960	2,537,458	4,532,517	7,069,975
1959	2,474,262	3,607,764	6,082,026
1958	2,351,337	3,206,816	5,558,153
1957	2,362,891	2,797,133	5,160,024
1956	2,396,802	2,327,259	4,724,061
1955	2,536,309	2,014,298	4,550,607

Insurance Sales Through Investment Companies

One facet of the company's business is the sale of term life insurance policies to purchasers of investment fund shares.

At the present time, such sales are made through agreements with Investors Syndicate of Canada Limited, and State Bond and Mortgage Company. A similar agreement with Investors Diversified Services, Inc., has been ended inasmuch as an IDS subsidiary company, formed in 1957, can now provide this coverage on a national basis. However, insurance written while the agreement with IDS was in effect will remain on North American's books until maturity.

Approximately 95.7 per cent of the insurance in force under the agreement with IDS will mature in five to ten years, and the balance in less than five years.

The following table indicates insurance in force, and premium income under these agreements as of the end of 1965:

	<u>Insurance in Force</u>	<u>Premium Income</u>
Investors Diversified Services	\$100,608,000	\$1,332,075
Investors Syndicate of Canada	113,293,000	761,729
State Bond and Mortgage Co.	4,584,000	30,410

Anticipation of a decline in new business to be derived through the agreement with IDS, launched NALAC on the expansion program that has yielded such exceptional results. New offices were opened and staffed at a rate far in excess of the average for the industry. The success of the program has stimulated the entire organization to press for even greater gains.

Creditor Insurance

Creditor insurance is term insurance. It assures payment of a loan or installment purchase in the event of death or disability of the borrower.

Essentially, policies issued under the investment fund shares purchase program described in the preceding section are of this type. Financial outlets, through arrangements with NALAC's Special Risk Department, also issue mortgage insurance and loan coverage policies which are included in this category.

Creditor insurance in force in the United States exceed industrial insurance for the first time in 1963. By the end of that year, creditor

coverage had climbed to \$43.5 billion compared to an industrial volume of \$39.7 billion. In 1965, creditor insurance grew \$6.5 billion to \$50 billion, or 15 per cent; industrial was up only \$300,000,000, or one per cent.

Canadian Operations

In the ten-year period, 1956-1965, North American increased its total Canadian life insurance premium income 225 per cent, from \$866,184 to \$2,811,701. Life insurance in force for the period climbed from \$87,167 at the end of 1956 to \$358,134 at 1965's close, an increase of 311 per cent.

Sickness and accident premium income fluctuated from \$1,555,233 in 1956, to \$2,015,161 in 1958, dropping gradually to \$1,195,924 in 1965.

North American serves Canada's 19 million population from 14 sales and service offices. The division's headquarters operations moved from Hamilton to suburban Toronto in March 1966 to the new 16-story North American Towers. Plans call for the addition of three more offices to the Canadian organization during 1965.

In the decade 1954-1963, life insurance in Canada grew from 114 per cent of national income to 181 per cent -- largest in the world in this relationship. Total amount of insurance in force with that nation's 59 life insurance companies grew from \$22 billion to \$60.1 billion during the period.

FINANCIAL RESULTS

North American has an outstanding record of gains from operations. In contrast to many fast-growing insurance companies that can report only small gains (or losses) in statutory earnings, North American has been able to absorb the large costs associated with placing a huge volume of new business on the books and report substantial net gains from operations. Since 1933, the company has shown a loss from operations only in 1948.

Premium Income

The chief factor contributing to this record has been the growth in volume of life insurance in force. However, an additional factor has been the increase in the average annual premium per individual life policy issued. In 1960, the average annual premium was \$134. By 1965, this figure had risen to \$244.

The following table illustrates the influence of these factors on first year billed life premiums:

<u>Year</u>	<u>Individual Life</u>	<u>Per Cent Increase Over Prior Year</u>
1965	\$3,886,942	4.4%
1964	3,724,457	18.7
1963	3,136,590	21.8
1962	2,575,439	53.0
1961	1,683,206	32.1
1960	1,273,727	4.5
1959	1,219,437	8.4
1958	1,125,055	10.9
1957	1,014,361	35.0
1956	751,585	15.4
1955	651,057	10.1
1954	591,408	

The increase in first year billed life premiums in the ten years through 1965 amounted to 557.2 per cent.

Total premium income has also risen steadily year by year. For the ten years 1955 through 1965, total premium income rose 225.5 per cent. Over the 1955-64 period, total premium income for all life insurance companies rose about

155 per cent.

The table below illustrates the contribution of each basic form of coverage to total premium income:

Year	Individual Life (000)	Group Life (000)	Group S & A (000)	Individual S & A (000)	Total Premiums (000)	Per Cent Increase Over Prior Year
1965	\$19,116	\$5,459	\$6,802	\$3,522	\$34,899	11.0%
1964	16,485	5,028	6,606	3,331	31,450	20.0
1963	13,530	3,783	5,895	3,083	26,291	11.0
1962	12,253	3,146	5,397	2,891	23,687	13.0
1961	10,523	2,834	4,855	2,750	20,962	8.8
1960	9,597	2,598	4,533	2,537	19,265	12.1
1959	8,868	2,231	3,608	2,474	17,181	9.2
1958	8,429	1,741	3,206	2,351	15,727	12.5
1957	7,557	1,260	2,797	2,362	13,976	14.9
1956	6,496	948	2,327	2,396	12,167	13.5
1955	5,567	606	2,014	2,536	10,723	11.0
1954	4,797	404	1,834	2,621	9,656	

For 1965, each basic type of insurance contributed to premium income as follows:

	Premium Income	Per Cent of Total
Individual Life	\$19,115,522	55%
Group Life	5,458,527	16
Individual Sickness & Accident	3,522,597	10
Group Sickness & Accident	6,801,888	19
	<u>\$34,898,534</u>	<u>100%</u>

Investment Income

The second major source of income to North American is the return on invested funds. These funds, representing invested capital and accumulated premium payments set aside to meet future obligations are invested primarily in mortgage loans and municipal bonds, and to a smaller extent in industrial bonds and common stocks.

As of the end of 1965, NALAC had cash and invested assets of \$82,339,046, of which 62.2 per cent was invested in mortgage loans, 21.6 per cent in bonds, 4.5 per cent in preferred and common stocks, and the balance of 11.7 per cent in cash, company real estate, policy loans and miscellaneous items.

In March of 1963, the company received \$9,201,660 from the sale of stock to the public. These funds were invested immediately to provide a source of income to finance further expansion.

In line with the growth of assets over the years, investment income has increased steadily. Net return on invested funds has increased as well. The table below illustrates NALAC's record over the past ten years:

<u>Year</u>	<u>Cash And Invested Assets</u>	<u>Per Cent Increase Over Prior Year</u>	<u>Net Investment Income</u>	<u>Per Cent Increase Over Prior Year</u>	<u>*Net Yield</u>
1965	\$82,339,046	10.7%	\$3,616,783	10.9%	4.69%
1964	74,350,896	11.8	3,261,989	18.4	4.71
1963	66,490,897	29.9	2,756,073	23.6	4.58
1962	51,189,178	10.3	2,230,445	12.7	4.55
1961	46,396,846	13.5	1,979,400	18.0	4.47
1960	40,885,475	14.5	1,677,214	17.4	4.34
1959	35,701,913	13.9	1,428,838	21.6	4.22
1958	31,333,375	15.2	1,175,254	16.0	3.95
1957	27,206,824	13.2	1,012,850	3.9	3.84
1956	24,040,774	14.0	975,148	28.5	3.80
1955	21,088,520	18.2	758,853	22.3	3.71
1954	17,845,922	15.8	620,306		3.67

* Before income taxes

In 1965, the company received close to 5.5 per cent on newly invested funds.

Net investment income increased 10.9 per cent in 1965, 116 per cent in the last five years and 377 per cent in the last ten years. The average annual increase was 17.1 per cent over the last ten years. Cash and invested

assets increased 290 per cent between 1955 and 1965.

Costs and Expenses

Much of an insurance company's success hinges on its ability to control costs and expenses. Regulatory agencies require that such non-recurring items as commissions, medical and investigation expenses, as well as reserves, claims, overhead and other recurring costs be written off in the year in which a policy is written. The fact that North American has avoided losses from operations is truly a reflection of the management's ability to control costs.

First year costs on new business (commissions plus sales expense) typically exceed first year premium income. On average, and varying according to the type of business underwritten, it is estimated that such costs may exceed 200 per cent of first-year premium income. Hence, the operating statement of a firm which is aggressively placing an increasing volume of new business on its books is temporarily affected adversely.

The company in 1965 has continued to reduce its ratio of sales compensation and direct sales expense to first-year billed premium income. In 1956, direct sales costs were 154.0 per cent of new premium income. By 1965 the percentage had declined to 120.

Payments to policyowners, during 1965 were 16.8 million compared with 15.5 million in 1964. Administrative expenses for 1965 amounted to 12.7 per cent of total premium income, compared with 13.7 in 1964, 14.0 in 1963, 14.1 in 1962 and 15.6 in 1961.

Much of the downward trend in administrative expense can be attributed to the company's program to improve reporting, methods and procedures as an integral part of a new accounting and reporting system. The program began in 1959 and was brought near completion with the installation of a large-size

IBM 1401 computer in June of 1962. Because of the comprehensive analyses undertaken in planning and installation, the new system is capable of providing information and processing accounts with a degree of efficiency few systems in the insurance industry can match. A third generation computer system, the IBM 360, was installed in 1965.

Operating Income

As noted earlier, North American has reported a net gain from operations in every year since 1933, with the exception of 1948.

Despite the rapid acquisition of new business, and an attendant sharp increase in costs, the net gain from operations, rose to \$1,398,337 in 1965 from \$1,020,272 in 1964.

Usually a high rate of new business results in a decline in reportable income, a distinctive mark of the insurance business. New business does, however, create genuine value though it is not immediately apparent.

Because the major portion of all costs associated with the acquisitions of new business is written off in the year of acquisition, the "profits" in this business are realized between the second year and maturity.

Furthermore, as assets are built up, investment income increases, and further contributes to income and book value.

However, financial reports of insurance companies are written, by regulation (or statute), to reflect the interests of policyholders, not stockholders. As a result, reported earnings (statutory earnings) reflect only the results of operations, and ignore the value, or profits which accrue to stockholders from the increase in the amount of insurance in force during the reporting period. Adding the net gain from operations to the value of the increases in insurance in force produces adjusted earnings, a figure that more accurately reflects the interest of the stockholder in the company's business.

Over the years it has become possible to determine the value of various type of insurance and thereby derive adjusted earnings. Exact valuations cannot be set because the quality of the insurance varies from company to company, and some firms are operated more efficiently than others. On a conservative basis commonly used by insurance analysts, values may be assigned as follows:

\$20 per \$1,000 for whole life and endowment, \$10 per \$1,000 for term insurance, \$3.00 per 1,000 for group, and 35 per cent of the increase in the unearned premium reserve for sickness and accident coverage.

Using this scale of value, adjusted earnings of North American in 1965 totaled \$99 per share (on 4,831,662 shares outstanding after giving effect to stock distribution of May 10, 1965), as contrasted to reported (statutory) earnings of \$0.29 per share.

The following table indicates net gain from operations, statutory earnings and earnings adjusted for the estimated value of the increases in the amount of insurance in force during the year:

<u>Year</u>	<u>Reported Net Gain From Operations</u>	<u>* Per Share</u>	<u>Value of Increase In Insurance in Force</u>	<u>Adjusted Income</u>	<u>* Per Share</u>
1965	\$1,398,337	\$.29	\$3,388,865	\$4,787,202	\$.99
1964	1,020,272	.21	3,245,452	4,265,724	.88
1963	955,377	.20	3,238,660	4,194,037	.87
1962	449,224	.09	3,087,058	3,536,282	.73
1961	761,102	.16	1,347,422	2,108,524	.44
1960	1,013,258	.21	851,051	1,864,309	.39
1959	1,020,593	.21	620,458	1,641,051	.34
1958	568,790	.12	1,212,665	1,781,455	.37

* On the basis of 4,831,662 shares. Adjusted for 4-for-3 stock distribution May 10, 1965.

Stockholders' Equity

As in the case of adjusted earnings, insurance in force has a value that contributes to stockholders' equity. Thus, in addition to capital, surplus and voluntary reserves, adjusted book value includes the value of the various forms of insurance in force on the basis of the ratios used in computing adjusted earnings.

Based on 4,831,662 shares currently outstanding, NALAC had an adjusted Book value at 12-31-65 of \$9.27.

Dividends

North American has an unbroken record of cash dividend payments reaching back to 1940. Stock dividends have been issued, from time to time, since 1927, including a 100 per cent dividend issued in 1957, and a 150 per cent dividend issued in 1962.

Cash dividends of \$0.05 per share were paid May 15, 1964, and May 10, 1965. A 6-for-5 stock distribution was made also in May, 1964, and the cash dividend of 1965 was followed by a 4-for-3 stock distribution. The Board of Directors intends to consider dividend payments in cash or stock, or both, on an annual or semi-annual basis depending on earnings.

Cash dividend payments by most life insurance companies are deliberately kept low in order to increase retained earnings. Retained earnings generate investment income and finance growth without resort to outside capital.

Annual Report

Other financial data can be found in the NALAC annual report. The 1963 report was named best in the life insurance industry by Financial World

magazine, and the company's management was given a Bronze Oscar award to mark this achievement. The company was also awarded a Silver Oscar in 1964.

CAPITALIZATION

On March 20, 1963, an offering of 1,065,000 shares of North American stock was made at a price of 19-1/2 through a national syndicate headed by Paine, Webber, Jackson & Curtis. Of the total number of shares offered, 520,000 shares were sold by the company for proceeds of \$9,478,338 net of underwriting expenses. This increased the number of shares outstanding from 2,500,000 shares of \$1.00 par value to 3,020,000 shares and increased the year-end capital and surplus from \$6,959,215 to \$16,437,553 pro forma.

Of the remaining 545,000 shares, 40,000 shares (acquired under option) were sold by the underwriter, 43,750 by other officers of the company, and the balance by H. P. Skoglund, president.

The shares sold by Mr. Skoglund represent a portion of the 750,000 shares acquired by him and others from Investors Syndicate of America. From the time North American had an agreement for the sale of insurance with Investors Diversified Services (May, 1948), Investors Syndicate of America, an affiliate of IDS, held 30 per cent of North American's outstanding common stock. Purchase of the stock from Investors Syndicate eliminated its interest.

Following the public offering Mr. Skoglund and officers and directors of the company together owned 21.75 per cent of the outstanding common stock.

At the annual meeting of May 4, 1965, shareholders authorized the company to double its capitalization from \$5 to \$10 million, evidenced by shares of \$1 par value. The action makes possible further company expansion.

Details of NALAC's capital structure can be found in the financial statements at the end of this Fact Book.

LIFE INSURANCE INDUSTRY

A nationwide study conducted in 1960 showed that almost seven out of every ten American adults, including men and women at all income levels and all ages from 18 and up, owned life insurance protection with legal reserve insurance companies.

Nearly 60 per cent of all adults had individually purchased life insurance, 25 per cent were protected by group life insurance, and 15 per cent owned both types.

At the end of 1964, there were 1,566 U.S. and Canadian companies in the life insurance business. Of the 1,507 U.S. companies, 1,347 were owned by stockholders, and 160 were mutual companies. In a ranking of companies issued during 1965 by The National Underwriter, North American ranked 33rd in life insurance in force among stock companies. The mutual companies, generally older and larger, accounted for approximately three-fifths of the total life insurance in force. However, stock companies have increased their share of total business over recent years.

The growth of the life insurance industry has been outstanding. The estimated total of \$799 billion in life insurance in force at the end of 1964 was 241 per cent greater than the total of \$234 billion at the end of 1950, and 595 per cent greater than the total of \$115 billion at the end of 1940.

Among the factors contributing to this rate of growth were the development of specialized policies, higher personal incomes, population growth, and a greater awareness of the need for coverage.

The following table illustrates the growth of major forms of coverage in terms of insurance in force in the United States.

<u>Year</u>	<u>Ordinary</u> (000,000)	<u>Group</u> (000,000)	<u>Other</u> (000,000)	<u>Total</u> (000,000)
1965	e. \$500,000	e. \$275,000	e. \$100,000	e. \$875,000
1964	458,029	252,182	89,766	799,977
1963	418,856	228,540	83,227	730,623
1962	389,150	209,178	77,649	675,977
1961	364,347	192,202	72,944	629,493
1960	340,268	175,434	70,746	586,448
1959	315,953	159,807	66,368	542,128
1958	287,834	144,607	61,120	493,561
1957	264,678	133,794	59,887	458,359
1956	238,099	117,324	57,207	412,630
1955	216,600	101,300	54,432	372,332
1954	198,419	86,395	48,905	333,719
1952	170,795	62,913	42,883	276,591
1950	149,071	47,793	37,304	234,168
1945	101,550	22,172	28,040	151,762
1940	79,346	14,938	21,246	115,530

Source: 1964 Life Insurance Fact Book and Best's Insurance News,
March, 1965.

e. Estimated

Between the end of 1950 and 1965, ordinary life insurance in force increased 235 per cent, and 530 per cent between 1940 and 1965.

Group life insurance in force increased 475 per cent between 1950 and 1965, and 1,741 per cent between 1940 and 1965.

Purchases of all forms of life insurance in the U.S. totaled about \$104.8 billion in 1964, an increase of \$15.2 billion, or 17.0 per cent over the level of purchases in 1963. Purchases of ordinary life totaled approximately \$73.8 billion in 1964, and purchases of group life totaled approximately \$23.7 billion.

By the end of 1963, over 145 million persons were protected by sickness and accident insurance, a 2.8 per cent increase over the previous year. Of this number, 135 million were protected by surgical expense plans, up 3.0 per cent over 1962, and more than 102 million persons were protected by regular medical expense plans, 4.0 per cent more than in 1962.

Some 42 million persons were protected by major medical expense plans at the end of 1963, 9.8 per cent more than at the end of the preceding year.

Some 77 per cent of the population now has some form of health insurance protection. As recently as 1940, only about 10 per cent of the population had this coverage.

Approximately 1,800 voluntary insuring organizations in the U.S. made health insurance protection available to the public in 1963. This total included: 903 insurance companies actively issuing health insurance policies; 77 Blue Cross Plans; 72 Blue Shield Plans, and nearly 800 independent-type health insurance plans.

During 1964, the total income of life insurance companies was \$30.7 billion. About 74.0 per cent came from premium payments, 20.0 per cent from investment income, and 6.0 per cent from other sources.

The over-all total increased 7.3 per cent over 1963. Premium income was up 7.3 per cent, investment earnings increased 7.8 per cent, and other income was up 5.6 per cent. Premium income during 1964 totaled over \$22.6 billion. This included \$15.1 billion from premiums for life insurance policies, and \$5.6 billion on health insurance policies.

The following table illustrates the breakdown of income since 1951:

<u>Year</u>	<u>Life Insurance Premiums</u> (000,000)	<u>Accident & Health Premiums</u> (000,000)	<u>*Total Premium Income</u> (000,000)	<u>Investment Income</u> (000,000)	<u>**Total Income</u> (000,000)
1964	\$15,128	\$5,613	\$22,653	\$6,276	\$30,674
1963	14,266	5,105	21,113	5,821	28,584
1962	13,215	4,674	19,373	5,044	26,000
1961	12,546	4,327	18,258	4,668	24,397
1960	11,998	4,026	17,365	4,304	23,007
1959	11,487	3,641	16,622	3,879	21,790
1958	10,753	3,294	15,471	3,492	20,249
1957	10,241	3,126	14,775	3,331	19,333
1956	9,592	2,699	13,584	3,063	17,865
1955	8,903	2,355	12,546	2,801	16,544
1954	8,239	2,115	11,563	2,590	15,280
1953	7,778	1,879	10,847	2,353	14,271
1952	7,228	1,561	9,883	2,160	13,076
1951	6,785	1,294	9,040	1,948	12,012

* Includes premiums from annuity policies not shown.

** Includes other income not shown.

Assets of U.S. life insurance companies rose \$8.3 billion in 1964, or 5.9 per cent, to a record total of \$149.5 billion at the end of the year.

The net rate of return on life insurance investments in 1964 was 4.53 per cent before income taxes, compared with 4.45 per cent in 1963.

The table below indicates the growth in assets, and the rate of return on invested assets, since 1951:

<u>Year</u>	<u>U.S. Life Company Assets</u> (000,000)	<u>Rate of Return on Invested Funds</u>
1964	\$149,470	4.53%
1963	141,121	4.45
1962	133,291	4.34
1961	126,816	4.22
1960	119,576	4.11
1959	113,650	3.96
1958	107,580	3.85
1957	101,309	3.75
1956	96,011	3.63
1955	90,432	3.51
1954	84,486	3.46
1953	78,533	3.36
1952	73,375	3.28
1951	68,278	3.18

Following is a table illustrating the distribution of invested assets as of the end of 1964:

<u>Type of Investment</u>	<u>Amount Invested</u> (000,000)	<u>Per Cent of Total</u>
Mortgage Loans	\$55,152	38.3%
Bonds	67,963	47.1
Preferred & Common Stocks	7,938	5.5
Cash & Miscellaneous	<u>13,156</u>	<u>9.1</u>
TOTAL	\$144,209	100.0%

An important factor determining underwriting results is the death rate. Although the death rate among ordinary life insurance policyholders showed a declining trend during the first half of this century, there has been relatively little improvement since the early 1950's.

During the years 1958 through 1960 the rate remained at 6 deaths per 1,000 policyholders. In 1961 it increased slightly to 6.1 per 1,000; in

1962 increased again at 6.2 per 1,000, and in 1963 advanced to 6.3 per 1,000.

The rate averaged 7.5 per 1,000 during the 1930's, 6.9 during the 1940's, and 6.1 during the 1950's.

Medical advances during these years accounted for the decline in the rate. However, scientific breakthroughs against cardiovascular-renal diseases and cancer (which currently cause 73.4 per cent of deaths) will be needed before the rate records any further significant decline. Accidents, which are the third ranking cause of death, remained fairly constant during the period 1955-1963, inclusive. In 1964 they accounted for 6.7 per cent of deaths, against 6.6 per cent in 1950.

BIOGRAPHIES OF OFFICERS

Howell P. Skoglund, Board Chairman, Chief Executive Officer and Executive Committee Chairman. Mr. Skoglund joined North American Life & Casualty Co. (NALAC) as President in 1933 after serving as Secretary and Sales Manager of the C. J. Hoigaard Co., also of Minneapolis. In May, 1965, he relinquished the presidency, continuing as Board Chairman, Chief Executive Officer and head of the Executive Committee. He was born July 5, 1903, in Starbuck, Minn., and was graduated in 1925 with a B. A. degree from St. Olaf College, Northfield, Minn.

Mr. Skoglund, listed in Who's Who and Who's Who in Insurance, is Past President, Health and Accident Underwriters Conference; member, Life Insurance Association of America, American Life Convention, Life Insurance Agency Management Association; Chairman, Board of Regents, St. Olaf College; President, Board of Trustees, Fairview Hospital, Minneapolis; and he is a member of the boards of North Central Airlines, Inc., Northwestern National Bank of Minneapolis, Minnesota Enterprises, C. J. Hoigaard Co., Naegle Advertising Co., Gold Bond Stamp Co., all of Minneapolis; M.S.L. Industries, Chicago; Pyroil Company, Inc., LaCrosse, Wis.; Vice President and Director, Raven Industries, Sioux Falls, S.D.; Advisory Board, Lincoln Office of Northwestern National Bank, Minneapolis. Mr. Skoglund is also operator of the 156,000 acre Two Dot Ranch, Cody, Wyo., and is treasurer and one-fifth owner of the Minnesota Vikings, National Football League team.

James E. Scholefield, President, member of the Executive Committee and a Director. Mr. Scholefield was born Oct. 30, 1910, in Oldham, England, and was graduated from Bowdoin College in 1932 with a B. S. in government. He worked

with Monarch Life Insurance Co. for a year after college and then joined the Life Insurance Agency Management Association, Hartford, Conn., where he served as assistant director for 13 years. During 1940 he became a Chartered Life Underwriter, American College of Life Underwriters. In 1947, he became NALAC's director of agencies and was named vice president and director of agencies a year later. Mr. Scholefield was elected to the company's board in 1950, selected senior vice president in 1962 and became President in 1965. Listed in Who's Who in Insurance, Mr. Scholefield is a Director of the Life Agency Management Association and a member of the American Society of Chartered Life Underwriters and the National Association of Life Underwriters.

John C. Skoglund, Executive Vice President and in charge of Canadian Operations, Executive Committee member and a Director. Mr. Skoglund, son of the company's Board Chairman, Chief Executive Officer and Executive Committee Chairman, was born February 27, 1933, in Minneapolis. He holds a B.A. from Colgate University and an M.B.A. granted in 1957 by Stanford University. He became NALAC's Director of Self-Completion Insurance in 1957, was named Agency Comptroller in 1958 and Assistant to the President in 1960. Two years later, he was appointed Vice President and Director. In 1964, he was named Vice President in charge of Canadian Operations and was promoted to Executive Vice President a year later. Mr. Skoglund is listed in Who's Who in the Midwest.

Carl A. Ernst, Senior Vice President-Sales. Mr. Ernst was born in St. Paul, Dec. 2, 1909. He has an extensive background in the life insurance field. From 1929 to 1942 he was assistant manager of the Minneapolis office of Reliance Life. In 1942 he joined NALAC and has served successively as field supervisor, director of sickness and accident insurance and vice president-special sales. He also managed offices for the company in Milwaukee and St. Paul. In May, 1965, he was elected senior vice president-sales.

Welden S. Ingvaldson, Treasurer, head of the Investment & Office Services Division and Executive Committee member. A native of Fessenden, N. D., Mr. Ingvaldson was born Sept. 11, 1917. He was graduated from St. Olaf College with a B. A. in economics and history in 1939. In that year he went with the Lutheran Brotherhood in Minneapolis, leaving, in 1953, as the officer in charge of investments, to assume his present position at NALAC.

Ralph I. Oasheim, Vice President and Controller, and head of the Controller's Division. Mr. Oasheim was born in Minneapolis on Dec. 31, 1918, and was graduated from the University of Minnesota in 1947 with a B.B.A. degree. He was named Assistant Treasurer at NALAC in 1950 and subsequently held the posts of Assistant Secretary, Assistant to the President and Controller. He is a Fellow, Life Management Institute, and a member of the Mid-Central Planning Committee and the Financial Reports and Controls Committee of the Life Office Management Association, Quality Business Committee of the Life Insurance Agency Management Association and the Financial Executives Institute.

Ward H. Beall, Underwriting Vice President and head of the Underwriting Division. Mr. Beall was born in Washington, D. C., on August 19, 1914. He was graduated from George Washington University in 1937 with a B.S. and later attended Georgetown University for three years. From 1946 to 1948 he served as assistant chief underwriter of Acacia Mutual and then joined NALAC as Underwriting Director. He has been Underwriting Vice President since 1952. Mr. Beall is a member of the Individual Insurance Committee of the Health Insurance Association of America. He is former chairman of the Joint Examination and Education Committee of the Institute of Home Office Underwriters and the Home Office Underwriters Association. He is also a member of the executive council of HOUA.

Wilson H. Scott, Vice President-Actuary and head of the Actuarial Division.

Mr. Scott was born in Flint, Mich., April 8, 1927. He was graduated from the University of Western Ontario, London, Ontario, Canada, in 1948 with a B. A. and honors in mathematics. He joined the London Life Insurance Company, London, Ont., as Assistant Actuary, serving from 1948 to 1962 when he became actuary at NALAC. In 1965, he was elected a vice president.

I. W. Kimmerle, Secretary and head of the Policyowners' Service Division.

A native of Osseo, Minn., Mr. Kimmerle was born Aug. 13, 1909. He majored in accounting and statistics and was graduated from the University of Minnesota in 1931 with a B.B.A. degree. The following year he went with Northwestern National Life Insurance Co., Minneapolis, leaving in 1945 as Office Manager. In the next year he served as Controller of United Refrigerator Co., St. Paul. At NALAC he was Office Manager from 1946 to 1948, became an Assistant Vice President in 1948, was named Treasurer in 1950 and Secretary in 1953. Mr. Kimmerle is listed in Who's Who in Insurance and is active in the Life Office Management Association, Insurance Accounting and Statistical Association and the National Office Management Association.

H. E. Copps, Vice President-Claims, head of the Claims Division. Mr.

Copps was born in Fond du Lac, Wis., on August 30, 1907. He was graduated from the University of Minnesota in 1930 with a B.A. and in 1932 was granted an L.L.B. from the University's Law School. During 1932-33, Mr. Copps worked in the Minneapolis City Attorney's Office and entered private law practice the next year. He was a Claim Investigator, Claim Adjuster and Supervising Adjuster with Travelers Insurance Co. in St. Paul and Minneapolis from 1934 to 1946. Since that time, his positions at NALAC have included Assistant Claims Manager,

Assistant Vice President and Second Vice President of Claims, and Vice President and Director of Claims. He is an Executive Committee Member of the International Claim Association; and serves in various executive and committee posts on the Health Insurance Council; Canadian Life Officers Association; Twin City Life and Health Association, and the Hennepin County, Minnesota State and American Bar Associations.

Robert H. Rydman, Vice President - General Counsel. Mr. Rydman was born June 28, 1920, in La Plata, Argentina. He received his law degree from the University of Nebraska in 1948, thereafter joining the Nebraska Insurance Department as its assistant director. In 1951, he became Associate General Counsel of the Health & Accident Underwriters Conference, Chicago. Mr. Rydman came to NALAC in 1954 as Associate General Counsel, becoming the company's General Counsel in 1955. The Board elected him Vice President and General Counsel in May, 1965.

Balance Sheets . . .

<i>Admitted Assets</i>	1965	1964
CASH.....	\$ 1,085,520	\$ 1,809,101
BONDS, at amortized cost which approximates market:		
U. S. Government.....	\$ 397,148	\$ 484,418
Canadian Government.....	214,297	214,271
State, municipal and special revenue.....	5,341,938	4,482,882
Canadian provincial and municipal.....	7,790,724	7,294,422
Public utility, industrial and railroad.....	4,020,295	3,523,049
Total bonds.....	<u>\$17,764,402</u>	<u>\$15,999,042</u>
STOCKS, at market (cost \$2,978,463 and \$1,995,946, respectively)	<u>\$ 3,674,008</u>	<u>\$ 2,742,488</u>
MORTGAGE LOANS:		
U. S. Government insured.....	\$26,310,934	\$25,821,562
Other, property located in—		
United States.....	22,449,267	18,272,424
Canada.....	2,474,152	1,228,086
Total mortgage loans.....	<u>\$51,234,353</u>	<u>\$45,322,072</u>
POLICY LOANS.....	\$ 4,057,246	\$ 3,614,596
COLLATERAL LOANS.....	<u>\$ 987,000</u>	<u>\$ 866,000</u>
HOME OFFICE BUILDING AND OTHER REAL ESTATE, ETC., substantially at cost, less depreciation of \$846,911 and \$710,616, respectively.....	\$ 5,299,464	\$ 5,193,430
(Less):		
Mortgage on Home Office Building, payable \$33,333 annually to 1977, \$500,000 then due.....	(900,000)	(933,333)
Mortgages on other real estate.....	(43,917)	(35,117)
Total.....	<u>\$ 4,355,547</u>	<u>\$ 4,224,980</u>
PREMIUMS DUE AND DEFERRED.....	\$ 5,419,490	\$ 4,851,291
INVESTMENT INCOME RECEIVABLE, ETC.....	624,477	597,145
	<u>\$89,202,043</u>	<u>\$80,026,715</u>

*The accompanying notes to financial statements
are an integral part of these statements.*

December 31, 1965 and 1964

Liabilities, Capital Stock and Surplus

	1965	1964
LIABILITIES:		
Policy reserves—		
Life.....	\$56,305,653	\$50,260,789
Sickness and accident.....	4,142,904	3,401,622
Total policy reserves.....	<u>\$60,448,557</u>	<u>\$53,662,411</u>
Supplementary contracts without life contingencies.....	1,757,822	1,438,703
Policy and contract claims.....	3,081,705	2,896,656
Premium deposit funds and premiums received in advance..	1,267,908	989,340
Accrued commissions and expenses.....	1,005,441	1,094,735
Reserves for taxes, including United States and Canadian income taxes of \$467,321 in 1965 and \$186,164 in 1964..	1,183,656	899,989
Other liabilities.....	772,776	710,284
Total liabilities.....	<u>\$69,517,865</u>	<u>\$61,692,118</u>
CAPITAL STOCK AND SURPLUS (Notes 1 and 3):		
Common stock—\$1 par value per share, 10,000,000 shares authorized, 4,831,662 and 3,623,747 shares outstanding, respectively.....	\$ 4,831,662	\$ 3,623,747
Paid-in surplus, per accompanying statement.....	8,100,423	9,308,338
Unrealized appreciation of securities, per accompanying statement.....	695,545	746,542
Earned surplus, per accompanying statement.....	6,056,548	4,655,970
Total capital stock and surplus.....	<u>\$19,684,178</u>	<u>\$18,334,597</u>
	<u>\$89,202,043</u>	<u>\$80,026,715</u>

*The accompanying notes to financial statements
are an integral part of these statements.*

Statements of Income for the years ended December 31

	1965	1964
INCOME:		
Premiums	\$34,898,534	\$31,450,012
Supplementary contracts	653,665	412,993
Interest, dividends, rents, mortgage commitment fees and other, net	3,656,660	3,294,231
Total income	<u>\$39,208,859</u>	<u>\$35,157,236</u>
BENEFITS AND EXPENSES:		
Policyowner benefits—		
Payments to policyowners	\$16,795,082	\$15,508,716
Provision for future benefits	6,361,661	5,354,193
Total policyowner benefits	<u>\$23,156,743</u>	<u>\$20,862,909</u>
Expenses—		
Commissions	\$ 6,882,658	\$ 6,077,566
General insurance expenses, etc.	6,514,926	6,288,787
Taxes on premiums, payroll, etc.	896,195	857,702
Total expenses	<u>\$14,293,779</u>	<u>\$13,224,055</u>
Income before provision for income taxes	\$ 1,758,337	\$ 1,070,272
PROVISION FOR INCOME TAXES	<u>360,000</u>	<u>50,000</u>
NET GAIN FROM OPERATIONS, as reported in annual statements to insurance department	\$ 1,398,337	\$ 1,020,272
ADJUSTMENT for Canadian exchange gains (losses)	<u>(6,104)</u>	<u>703</u>
NET INCOME (Note 1)	\$ 1,392,233	\$ 1,020,975
REALIZED CAPITAL GAINS, net of applicable income taxes of \$55,000 in 1965 and \$65,000 in 1964	<u>147,880</u>	<u>181,076</u>
NET INCOME AND REALIZED CAPITAL GAINS	<u><u>\$ 1,540,113</u></u>	<u><u>\$ 1,202,051</u></u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Surplus for the years ended December 31

	1965	1964
PAID-IN SURPLUS:		
Balance at beginning of year	\$ 9,308,338	\$ 9,308,338
Transfer to common stock of par value of 1,207,915 additional shares issued in four for three stock split-up	(1,207,915)	—
Balance at end of year	<u>\$ 8,100,423</u>	<u>\$ 9,308,338</u>
UNREALIZED APPRECIATION OF SECURITIES:		
Balance at beginning of year	\$ 746,542	\$ 742,874
Change in unrealized appreciation of securities during year ..	(50,997)	3,668
Balance at end of year	<u>\$ 695,545</u>	<u>\$ 746,542</u>
EARNED SURPLUS:		
Appropriated for mandatory security valuation reserve—		
Balance at beginning of year	\$ 962,902	\$ 683,232
Increase in reserve during year	6,260	279,670
Balance at end of year	<u>\$ 969,162</u>	<u>\$ 962,902</u>
Unappropriated—		
Balance at beginning of year	\$ 3,693,068	\$ 3,700,800
Add (deduct):		
Net income	\$ 1,392,233	\$ 1,020,975
Realized capital gains on sale of securities, net of applicable income taxes	147,880	181,076
Increase in mandatory security valuation reserve	(6,260)	(279,670)
Change in nonadmitted assets, etc.	41,652	(167,017)
Cash dividends to stockholders, 5¢ per share, based on shares outstanding prior to stock split-ups in 1965 and in 1964 and \$8,349 cash in lieu of fractional shares on split-up in 1964	(181,187)	(159,349)
Stock split-up in 1964 effected in the form of a stock dividend; one additional share issued at \$1 par (603,747 shares) for each five shares then outstanding	—	(603,747)
Net change for year	<u>\$ 1,394,318</u>	<u>\$ (7,732)</u>
Balance at end of year	<u>\$ 5,087,386</u>	<u>\$ 3,693,068</u>
COMBINED EARNED SURPLUS, at end of year	<u>\$ 6,056,548</u>	<u>\$ 4,655,970</u>

The accompanying notes to financial statements are an integral part of these statements.

NOTES to Financial Statements

(1) BASIS OF FINANCIAL REPORTING:

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Minnesota. Such practices differ from those generally accepted accounting principles commonly followed by other types of enterprises in that:

- (a) Commissions and other costs of acquiring new life business and similar costs related to earned sickness and accident premiums are charged to current operations as incurred instead of being amortized over the periods to be benefited. The company uses modified preliminary term methods of computing reserves, which give partial consideration to these costs.
- (b) Certain assets designated as "nonadmitted assets," principally furniture and equipment, net of depreciation provided, and agents' balances, net of

collection losses charged to income, have been excluded from the accompanying balance sheets and are charged to earned surplus.

- (c) The company uses modified preliminary term methods for computing life policy reserves for book purposes. Life policy reserves for tax purposes have been determined using net level premium methods, which reflect a more rapid rate of policy reserve accumulation. Deferred income taxes are not provided on the additional deduction claimed for tax purposes.

While the aggregate net effect of such variances on the financial statements has not been determined, in the case of this company such differences tend to reduce net income and earned surplus.

(2) FEDERAL INCOME TAXES:

Earned surplus at December 31, 1965, in-

cludes \$1,880,000 which, under provisions of the Life Insurance Company Income Tax Act of 1959, is defined as "policyholders' surplus" and is not subject to current income tax. The amounts of such "policyholders' surplus" may be subject to income tax at then current rates under certain conditions, including certain cash distributions to stockholders.

(3) STOCK OPTIONS:

An officer of the company has been granted an option to purchase 200,000 shares of the company's common stock at a price of \$7.775 per share. This option expires August 9, 1967.

(4) LEASE COMMITMENTS:

Annual rentals on office facilities leased in various localities, generally on a short-term basis, are approximately \$336,000 for 1966.

GLOSSARY OF INSURANCE INDUSTRY

BROKER – A sales and service representative who handles insurance for his clients, generally selling insurance of various kinds and for several companies.

CONVERTIBLE TERM INSURANCE – Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.

CREDIT LIFE INSURANCE – Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase or other obligation, in case of death.

ENDOWMENT INSURANCE – Insurance payable to the insured if he is living on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

EXTENDED TERM INSURANCE – A form of insurance available as a nonforfeiture option. It provides the original amount of insurance for a limited period of time.

FAMILY POLICY – A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the husband and smaller amounts of term insurance on the wife and children, including those born after the policy is issued.

GROUP LIFE INSURANCE – Life insurance issued, usually without medical examination, on a group of persons under a single master policy. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates stating their coverage.

HEALTH INSURANCE – Protection against the costs of hospital and medical care or lost income arising from an illness or injury. Sometimes called Accident and Sickness Insurance, Accident and Health Insurance, or Disability Insurance.

INDUSTRIAL LIFE INSURANCE – Life insurance issued in small amounts, usually not over \$500, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company.

LAPSED POLICY – A policy terminated for nonpayment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

LEGAL RESERVE LIFE INSURANCE COMPANY – A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.

LIFE INSURANCE IN FORCE – The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

MAJOR MEDICAL EXPENSE INSURANCE – Policies especially designed to help offset the heavy medical expenses resulting from catastrophic or prolonged illness or injury. They provide benefit payments for 75 - 80% of all types of medical treatment by a physician above a certain amount first paid by the insured person and up to the maximum amount provided by the policy—usually \$5,000 or \$10,000 or higher.

ORDINARY LIFE INSURANCE – Life insurance usually issued in amounts of \$1,000 or more with premiums payable on an annual, semi-annual, quarterly, or monthly basis. The term is also used to mean straight life insurance.

POLICY LOAN – A loan made by an insurance company to a policyholder on the security of the cash value of his policy.

POLICY RESERVES – The amounts that an insurance company allocates specifically for the fulfillment of its policy obligations. Reserves are so calculated that, together with future premiums and interest earnings, they will enable the company to pay all future claims.

STRAIGHT LIFE INSURANCE – Whole life insurance on which premiums are payable for life.

SURGICAL EXPENSE INSURANCE – Policies which provide benefits to pay the cost of operations.

TERM INSURANCE – Insurance payable to a beneficiary at the death of the insured provided death occurs within a specified period, such as five or ten years, or before a specified age.

UNDERWRITING – The process by which an insurance company determines whether or not and on what basis it will accept an application for insurance.

WHOLE LIFE INSURANCE – Insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

